

**AGENDA**  
**Regular Meeting of the Governing Body of the**  
**Alameda Reuse and Redevelopment Authority**

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**Alameda City Hall**  
**Council Chamber, Room 390**  
**2263 Santa Clara Avenue**  
**Alameda, CA 94501**

**Wednesday, March 2, 2005**  
**Meeting will begin at 7:00 p.m.**  
**City Hall will open at 6:45 p.m.**

**1. ROLL CALL**

**2. CONSENT CALENDAR**

Consent Calendar items are considered routine and will be enacted, approved or adopted by one motion unless a request for removal for discussion or explanation is received from the Council or a member of the public.

- 2-A. Approval of the minutes of the regular meeting of January 5, 2005.
- 2-B. Approval of the minutes of the Special meeting of January 20, 2005.
- 2-C. Recommendation to approve certain assignment and assumption agreements among housing providers at Alameda Point.
- 2-D. Recommendation to Authorize the Executive Director to Approve Lease(s) at Alameda Point.

**3. PRESENTATION**

- 3-A. Presentation/update on Alameda Point Navy Negotiations and Land Use Planning.

**4. REGULAR AGENDA ITEMS**

- 4-A. Recommendation to approve a 10-year lease agreement with Nelson's Marine for Building 167.
- 4-B. Recommendation to approve a 5-year lease, with a possible 3 (5-year) options with Nelson Marine for 400 linear feet of Pier 1.

**5. ORAL REPORTS**

- 5-A. Oral report from APAC.

5-B. Oral report from Member Matarrese, RAB representative.

**6. ORAL COMMUNICATIONS, NON-AGENDA (PUBLIC COMMENT)**

(Any person may address the governing body in regard to any matter over which the governing body has jurisdiction that is not on the agenda.)

**7. COMMUNICATIONS FROM THE GOVERNING BODY**

**8. ADJOURNMENT**

**This meeting will be cablecast live on channel 15. The next regular ARRA meeting is scheduled for Wednesday, April 6, 2005.**

Notes:

- Sign language interpreters will be available on request. Please contact the ARRA Secretary, Irma Frankel at 749-5800 at least 72 hours before the meeting to request an interpreter.
- Accessible seating for persons with disabilities (including those using wheelchairs) is available.
- Minutes of the meeting are available in enlarged print.
- Audio tapes of the meeting are available for review at the ARRA offices upon request.

**UNAPPROVED  
MINUTES OF THE REGULAR MEETING OF THE  
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY**

**2-A**

**Wednesday, January 5, 2005**

**The meeting convened at 5:46 p.m. with Mayor Johnson presiding.**

**1. ROLL CALL**

Present: Beverly Johnson, Mayor, City of Alameda  
Tony Daysog, Boardmember, City of Alameda  
Doug DeHaan, Boardmember, City of Alameda  
Frank Matarrese, Boardmember, City of Alameda  
Marie Gilmore, Boardmember, City of Alameda

Absent: None.

**2. CONSENT CALENDAR**

- 2-A. Recommendation to approve an amendment to Consultant Agreement with LFR, Inc. For environmental consulting services at Alameda Point in the amount of \$175,130 for a total agreement amount of \$249,000.
- 2-B. Recommendation to authorize the Executive Director to execute sublease(s) at Alameda Point.

**Member Matarrese motioned for approval of the Consent Calendar items. The motion was seconded by Member Gilmore and passed by the following voice vote: Ayes – 5; Noes – 0; Abstentions – 0.**

**3. PRESENTATION**

- 3-A. Presentation/update on Alameda Point Navy Negotiations and Land Use Planning.**

None.

**4. REGULAR AGENDA ITEMS**

None.

## **5. ORAL REPORTS**

### **5-A. Oral report from APAC.**

Chair Lee Perez noted that they did not hold a business meeting during December, although a very nice social gathering was held. He noted that there was no discussion, and that the next meeting would be held on January 19, 2005. He noted that they would decide how to carry out the ARRA's wishes at that time.

Member DeHaan noted that while he was not part of the decision made at the last ARRA meeting, he supported that decision. He was concerned that the process took much longer than anyone could have anticipated, and that when he was Chair of EDC, he ensured that they were up to speed on Alameda Point issues. He recalled several team members (Al Clooney and Dan Meyers) who had passed away during this process.

Mayor Johnson noted that she and Member Daysog had been members of the BRAG as well.

Chair Perez noted that three active former BRAG members sat on the City Council, and that hoped that their dedication would reach Sacramento and Washington, D.C. He noted that it had been an honor to serve in this capacity, and acknowledged that change was necessary.

### **5-B. Oral report from Member Matarrese, RAB representative.**

There was no report.

## **6. ORAL COMMUNICATIONS, NON-AGENDA (PUBLIC COMMENT)**

None.

## **7. COMMUNICATIONS FROM THE GOVERNING BODY**

Member Matarrese recalled previous discussions to bring the redevelopment of the Point to the mainstream consciousness of Alameda. He noted that the very light turnout at the ARRA meetings did not meet that goal. He requested that the regular meeting time be changed to 7:30 p.m. in order to encourage more community participation. He noted that the closed session could be held before the regular meeting.

Mayor Johnson suggested agendaizing that item for the next meeting, and noted that a 7:00 start time could be tried. A special meeting would be held on Thursday, January 20, 2005, at 7:30 p.m.

Member DeHaan requested an update on the Consultant Agreement to be placed on the next agenda.

Chair Perez did not anticipate that there would be any further amendments to current consultant contracts. He added that they could make an updated budget presentation at the next regular meeting. They had anticipated some changes to the consultant contracts, and that they did not



impact their contingency or any other line items contained in the ARRA-led predevelopment budget.

**8. ADJOURNMENT TO CLOSED SESSION OF THE ARRA TO CONSIDER  
CONFERENCE WITH REAL PROPERTY NEGOTIATOR:**

8-A. Property: Alameda Naval Air Station  
Negotiating parties: ARRA, Navy, and Alameda Point Community Partners  
Under negotiation: Price and Terms

**Announcement of Action Taken in Closed Session: The ARRA received a briefing from the Real Property Negotiator; no action was taken.**

**9. ADJOURNMENT**

Mayor Johnson adjourned the open session meeting at 6:11 p.m.

Respectfully submitted,

  
Irma Frankel  
ARRA Secretary

**UNAPPROVED**  
**MINUTES OF THE SPECIAL MEETING OF THE**  
**ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY**

**2-B**

**Thursday, January 20, 2004**

**The meeting convened at 8:19 p.m. with Mayor Johnson presiding.**

**1. ROLL CALL**

Present: Beverly Johnson, Mayor, City of Alameda  
Doug DeHaan, Boardmember, City of Alameda  
Tony Daysog, Boardmember, City of Alameda  
Frank Matarrese, Boardmember, City of Alameda  
Marie Gilmore, Boardmember, City of Alameda

**2. Public Comment on Non-Agenda Items Only**

There were no speaker slips.

**3. CONSENT CALENDAR**

3-A. Amending Resolution No. 010 establishing rules and procedures for Alameda Reuse and Redevelopment Authority meetings by amending the starting time of regular meetings from 5:30 p.m. to 7:00 p.m. (*requested by Boardmember Matarrese*)

**Member Matarrese motioned for approval of the Consent Calendar items. The motion was seconded by Member Gilmore and passed by the following voice vote: Ayes – 5; Noes – 0; Abstentions – 0.**

Member Matarrese noted that this item is approved with the intent to increase public participation.

**4. ADJOURNMENT TO CLOSED SESSION OF THE ARRA TO CONSIDER  
CONFERENCE WITH REAL PROPERTY NEGOTIATOR:**

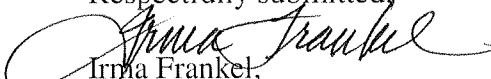
4-A. Property: Alameda Naval Air Station  
Negotiating parties: ARRA and Navy  
Under negotiation: Price and Terms

The ARRA received a briefing from the Real Property Negotiator; no action was taken.

**5. ADJOURNMENT**

Mayor Johnson adjourned the open session meeting at 8:21 p.m.

Respectfully submitted,

  
Irma Frankel,  
ARRA Secretary

## City of Alameda

*Alameda Reuse and Redevelopment Authority*

2-C

February 18, 2005

To: Honorable Chair and Members of the  
Alameda Reuse and Redevelopment Authority

From: William C. Norton  
Interim Executive Director

Re: Recommendation to Approve Certain Assignment and Assumption of Subleases  
and Legally Binding Agreements among Housing Providers at Alameda Point

### **Background**

As required by the federal Base Closure and Community Redevelopment and Homeless Assistance Act of 1994, the Alameda Reuse and Redevelopment Authority (ARRA) worked with the Alameda County Department of Housing and Community Development (County) and an organized group of homeless service providers, known as the Alameda County Homeless Providers Base Conversion Collaborative (currently known as the Alameda Point Collaborative (APC)) to determine the quantity of residential and commercial square footage that would constitute a reasonable accommodation of the homeless at the former Alameda Naval Air Station (Alameda Point).

On May 3, 1995, the ARRA adopted the Standards of Reasonableness that provide general commitments related to future reuse goals at Alameda Point. In July 1995, the Alameda County Homeless Provider Base Conversion Collaborative submitted a Request of Property at Alameda Naval Air Station. The requests were considered by staff, and following negotiations, specific allocations of property were included in the Housing Element of the NAS Alameda Community Reuse Plan approved by the ARRA in January 1996. Two hundred existing housing units at Alameda Point were allocated to several non-profit housing providers (Providers) for use by clients transitioning from homelessness. There are no emergency shelters or shelters at the APC per the Standards of Reasonableness for Homeless Uses at Alameda Point.

In addition to providing housing, it was expected that the Providers, through the APC, would coordinate the delivery of various support services and property management to their residents. Many residents are coping with medical, social, psychological or physical challenges and receive related services from the Providers, the APC Community Service Center and other agencies.

In 1996, the ARRA approved the form of a Legally Binding Agreement and Property Lease (LBA) to be used by the Alameda Point Collaborative and each Provider that was allocated housing units to accommodate its clients. The 59-year term of each LBA was to begin once the

underlying real property was conveyed by the Navy to the ARRA. Believing that the Navy would soon convey the real property, the Providers began to raise funds to rehabilitate their units.

The ARRA subsequently entered into Interim Subleases with the Providers, in order to permit them to establish "site control" necessary to retain their federal and state grant funding. In 2001, in order to facilitate the Providers' further applications for funding, the APC requested, and the ARRA approved, an amended form of a 59-year LBA and Property Lease that includes "cure" provisions and mortgagee provisions required by private lenders. In December 2001, the ARRA entered into an LBA with University Avenue Housing for forty-five (45) units of housing.

Pursuant to their sub-leases, Dignity Housing West and Resources for Community Development have requested that the ARRA consent to the assignment of their Interim Subleases to the Alameda Point Collaborative. In addition, University Avenue Housing has requested that the ARRA approve a transfer of its LBA to the Alameda Point Collaborative.

### **Discussion**

The Interim Subleases and form of the LBA contain provisions for the assignment and/or transfer of the agreements to other housing providers. In particular, when the form of LBA was approved, it was intended that APC would be a likely recipient of future assignments and special provisions and findings were included in the form of the LBA to facilitate such assignments.

Dignity Housing West and RCD have requested that their Interim Subleases be assigned to APC. UA Housing has requested that its LBA be assigned to APC. All three providers believe that their residents and the larger APC community would benefit from the assignment. The primary mission of these providers is to develop housing and they feel that this mission has been fulfilled by rehabilitating and leasing their units. These assignments will provide a better economy of scale for operations and management activities at the APC community. APC has the financial capability, management expertise and operational capacity to assume the two subleases and the LBA.


Therefore, the City Attorney's office has prepared and approved as to form the attached form of Assignment and Assumption Agreement for subleases (Attachment A) and the form of Assignment and Assumption Agreement for the Legally Binding Agreement (Attachment B) which will be used for each Provider assignment requested at this time. Upon execution of these agreements with Dignity Housing West, Resources for Community Development and University Avenue Housing, the APC can begin its transition process and move forward with its next step of closing on the necessary loan documents to secure Federal Home Loan Bank Board grant funds.

**Fiscal Impact**


There is no fiscal impact to approving the assignments and assumptions requested at this time.

**Recommendation**

It is recommended that the ARRA approve the assignment and assumptions, based on the attached form of Agreement, between Dignity Housing West and APC and Resources for Community Development and APC and approve the assignment and assumption, based on the attached form of Agreement, between University Avenue Housing and APC and authorize the Executive Director to execute the Agreements.

Respectfully submitted,  


Leslie Little  
Development Services Director

By:   
Debbie Potter  
Base Reuse and Redevelopment Manager

Attachment A: Form of Assignment and Assumption Agreement (subleases)

Attachment B: Form of Assignment and Assumption Agreement (Legally Binding Agreement)

**FORM OF  
ASSIGNMENT AND ASSUMPTION AGREEMENT  
(Sublease of Buildings \_\_\_\_\_)**

This Assignment and Assumption Agreement (Sublease of Buildings \_\_\_\_\_) (the "Agreement") is dated as of \_\_\_\_\_, 2005 ("Effective Date"), and is entered into by and among the Alameda Reuse and Redevelopment Authority, a joint powers authority formed under California law (the "ARRA"), \_\_\_\_\_, a California nonprofit public benefit corporation ("\_\_\_\_\_"), and Alameda Point Collaborative, Inc., a California nonprofit public benefit corporation ("APC"), with reference to the following facts:

A. The ARRA, as sublessor, and \_\_\_\_\_, as subtenant, entered into that certain Agreement of Sublease, Sublease of Housing Units at the Former Alameda Naval Air Station for the Sublease of Buildings \_\_\_\_\_ and Adjacent Open Space and Parking Area at Alameda Point dated \_\_\_\_\_, as amended by that certain Amendment to the Sublease between the ARRA and \_\_\_\_\_ for the Sublease of Certain Portions of Naval Air Station Alameda, located in Alameda, California (collectively, the "Sublease").

B. The subleased premises have been rehabilitated and have been continuously operated by \_\_\_\_\_ and managed by APC since \_\_\_\_\_, \_\_\_\_\_.

C. \_\_\_\_\_ desires to assign to APC and APC desires to accept the assignment from \_\_\_\_\_ of all of \_\_\_\_\_'s rights and obligations with respect to the Sublease.

D. The consent of the ARRA to the assignment of \_\_\_\_\_'s rights and obligations under the Sublease is required pursuant to Section 5.1 of the Sublease.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises of the parties hereto and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

1. Assignment by \_\_\_\_\_. As of the Effective Date, \_\_\_\_\_ hereby assigns and delegates to APC all of \_\_\_\_\_'s rights, title, interest and obligations under the Sublease.

2. Acceptance of Assignment. As of the Effective Date, APC hereby accepts the foregoing assignment and delegation and hereby assumes and agrees to perform each and every of \_\_\_\_\_'s duties, obligations, covenants, and agreements under or pursuant to the Sublease, and

further agrees to be bound by the terms and provisions of the Sublease. Any reference to \_\_\_\_\_ in the Sublease shall hereafter be deemed a reference to APC.

3. Consent to Assignment. The ARRA hereby consents to the foregoing assignment and delegation of the Sublease from \_\_\_\_\_ to APC.

4. Representations and Authorization.

(a) \_\_\_\_\_ and APC represent and warrant that all of the financial and other information required by Section 5 of the Sublease has been provided to the ARRA.

(b) Further, \_\_\_\_\_ and APC represent and warrant that the foregoing assignment and delegation shall not jeopardize funding sources for rehabilitation and/or operations of the subleased premises and that \_\_\_\_\_ and APC have obtained all necessary consents and completed all required documentation for the transfer and continuation of all such funds concurrent with the foregoing assignment and delegation.

(c) \_\_\_\_\_ has full power and authority to enter into this Agreement, and to otherwise perform its obligations hereunder without the consent of any other person or entity. The execution, delivery and performance of this Agreement, the fulfillment of and compliance with the terms and provisions hereof and the due consummation of the transactions contemplated hereby have been duly and validly authorized and approved by all requisite corporate and other actions, all of which are in full force and effect.

5. Captions. The captions of this Agreement are inserted only as a matter of convenience and for reference. They do not define, limit or describe the scope or intent of this Agreement and they shall not affect the interpretation hereof.

6. Governing Law. This Agreement and all matters relating to it shall be governed by the laws of the State of California.

7. No Other Modifications. Except as modified by this Agreement, the Sublease shall continue unmodified and in full force and effect.

8. Counterparts. This Agreement may be signed by different parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

\_\_\_\_\_:

\_\_\_\_\_,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**APC:**

Alameda Point Collaborative, Inc.,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**ARRA:**

Alameda Reuse and Redevelopment Authority,  
a joint powers authority formed under California law

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**FORM OF  
ASSIGNMENT AND ASSUMPTION AGREEMENT  
(UA Housing)**

This Assignment and Assumption Agreement (UA Housing) (the “Agreement”) is dated as of \_\_\_\_\_, 2005 (“Effective Date”), and is entered into by and among the Alameda Reuse and Redevelopment Authority, a joint powers authority formed under California law (the “ARRA”); the Community Improvement Commission of the City of Alameda, a public body, corporate and politic (the “CIC”); the City of Alameda, a municipal corporation ( the “City”); Alameda County, through its Department of Housing and Community Development, a political subdivision of the State of California (the “County”); UA Housing, Inc. a California nonprofit public benefit corporation (“UA Housing”); and Alameda Point Collaborative, Inc., a California nonprofit public benefit corporation (“APC”), with reference to the following facts:

A. In connection with certain funding the City, the CIC and UA Housing entered two (2) separate Affordable Housing Covenants, each dated as of August 1, 2000 (collectively, the “Covenants”).

B. In connection with the use of HOME funds, the City and UA Housing entered into a Contract, dated August 1, 2000 (the “Contract”) and a Regulatory Agreement dated August 2000 (the “Regulatory Agreement”). The Contract, Regulatory Agreement and all other agreements by and between the City and UA Housing with respect to the use of HOME funds shall be referred to herein collectively as the “HOME Documents”).

C. The Covenants and the Regulatory Agreement are to be recorded concurrently with the LBA (as defined below).

D. The ARRA, the County, UA Housing and APC entered into that certain Legally Binding Agreement and Property Lease dated December 17, 2001 for certain premises located at Alameda Point, Alameda, California (the “LBA”).

E. The leased premises have been rehabilitated and have been continuously operated by UA Housing, as Provider under the LBA, and managed by APC since \_\_\_\_\_, \_\_\_\_\_.

F. UA Housing desires to assign to APC and APC desires to accept the assignment from UA Housing of all of UA Housing’s rights and obligations with respect to the LBA, the Covenants, and the HOME Documents.

G. The consent of the ARRA and the County to the assignment of UA Housing's rights and obligations under the LBA is required pursuant to Section 6(a) of the LBA.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises of the parties hereto and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

1. Assignment by UA Housing. As of the Effective Date, UA Housing hereby assigns and delegates to APC all of UA Housing's rights, title, interest and obligations under (a) the LBA, (b) each of the Covenants, and (c) the HOME Documents.

2. Acceptance of Assignment. As of the Effective Date, APC hereby accepts the foregoing assignment and delegation and hereby assumes and agrees to perform each and every of UA Housing's duties, obligations, covenants, and agreements under or pursuant to (a) the LBA, (b) each of the Covenants, and (c) the HOME Documents, and further agrees to be bound by the terms and provisions of (a) the LBA, (b) each of the Covenants, and (c) the HOME Documents. Any reference to UA Housing in (a) the LBA, (b) each of the Covenants, and (c) the HOME Documents, shall hereafter be deemed a reference to APC.

3. Consent to Assignment of Covenants. The City and the CIC hereby consent to the foregoing assignment and delegation of each of the Covenants from UA Housing to APC.

4. Consent to Assignment of HOME Documents. The City hereby consents to the foregoing assignment and delegation of the HOME Documents from UA Housing to APC.

5. Consent to Assignment of LBA. The ARRA and the County hereby consent to the foregoing assignment and delegation of the LBA from UA Housing to APC.

6. Representations and Authorization.

(a) UA Housing and APC represent and warrant that all of the financial and other information required by Section 6 of the LBA has been provided to the ARRA and to the County.

(b) Further, UA Housing and APC represent and warrant that the foregoing assignment and delegation shall not jeopardize funding sources for rehabilitation and/or operations of the premises subject to the LBA and that UA Housing and APC have obtained all necessary consents and completed all required documentation for the transfer and continuation of all such funds concurrent with the foregoing assignment and delegation.

(c) UA Housing has full power and authority to enter into this Agreement, and to otherwise perform its obligations hereunder without the consent of any other person or entity. The execution, delivery and performance of this Agreement, the fulfillment of and compliance with the terms and provisions hereof and the due consummation of the transactions contemplated hereby have been duly and validly authorized and approved by all requisite corporate and other actions, all of which are in full force and effect.

7. Captions. The captions of this Agreement are inserted only as a matter of convenience and for reference. They do not define, limit or describe the scope or intent of this Agreement and they shall not affect the interpretation hereof.

8. Governing Law. This Agreement and all matters relating to it shall be governed by the laws of the State of California.

9. No Other Modifications. Except as modified by this Agreement, (a) the LBA, (b) each of the Covenants, and (c) the HOME Documents, shall continue unmodified and in full force and effect.

10. Counterparts. This Agreement may be signed by different parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**UA HOUSING:**

UA Housing, Inc.,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**APC:**

Alameda Point Collaborative, Inc.,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**ARRA:**

Alameda Reuse and Redevelopment Authority,  
a joint powers authority formed under California law

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CIC:**

COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA,  
a public body, corporate and politic

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CITY:**

CITY OF ALAMEDA,  
a municipal corporation

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**COUNTY:**

ALAMEDA COUNTY HOUSING AND COMMUNITY DEVELOPMENT,  
a political subdivision of the State of California

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**City of Alameda**  
*Alameda Reuse and Redevelopment Authority*

2-D

February 17, 2005

**TO:** Honorable Chair and Members of the  
Alameda Reuse and Redevelopment Authority

**FROM:** William C. Norton  
Interim Executive Director

**SUBJ:** Report from the Executive Director Recommending the Approval of Sublease(s) at  
Alameda Point

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**Background**

At the December 2004 ARRA Board Meeting, the ARRA elected to review and approve all subleases at Alameda Point.

**Discussion**

Attachment "A" describes the business terms for the proposed sublease(s).

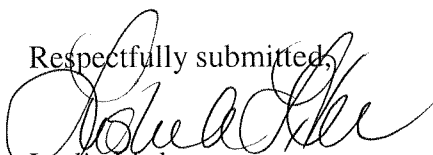
**Fiscal Impact**

The rent for: CAMETOID TECHNOLOGIES is \$48,180 annually or \$0.55 per square foot.


**Recommendation**

It is recommended that the Alameda Reuse and Redevelopment Authority approve the proposed sublease(s).

Respectfully submitted,

  
Leslie Little  
Development Services Director

By:

  
Nanette Banks  
Finance & Administration Manager

LL/NB:dc

**ATTACHEMENT "A"**  
**PROPOSED SUBLEASE BUSINESS TERMS**

<b>TENANT</b>	<b>BUILDING</b>	<b>SIZE (SF)</b>	<b>TERM</b>	<b>RENT</b>
Cametoid Technologies	32	7,300	3 years	\$4,015/mo.

February 17, 2005

To: Honorable Chair and Members of the  
Alameda Reuse and Redevelopment Authority

From: William C. Norton  
Interim Executive Director

Re: Report from the Executive Director recommending the Approval of a 10-  
year lease with Nelson Marine for Building 167

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### **Background**

In August 2004, the ARRA considered the proposed lease with Nelson Marine as presented by PM Realty Group. At that meeting a law firm representing regional boatyards made a presentation stating that the ARRA would lose \$34 million in revenue by entering into the lease. The ARRA directed staff and PM Realty to examine the law firm's calculations and assumptions and report back with a recommendation. More specifically, the ARRA directed staff not to consider boatyards throughout the region, but instead those within the City of Alameda to ensure equitable rental rates.

Since that time, PM has been working to collect the data used by the firm. In addition, the boatyards changed legal counsel, so it has taken a bit of time to perform the lease comparisons. Attachment 1 is the most recent correspondence received by the boatyard counsel.

Nelson's Marine is one of the original tenants at Alameda Point, operating a boatyard in Building 167. Building 167 is a structure located in the Tidelands Trust property; Nelson Marine is a compatible use for the site. The lease commenced in June 1997 and expired in September 2002. In July 2002, APCP, acting as property managers, executed a lease amendment for a month-to month lease at \$16,000/month and began renegotiating a 20-year lease for Building 167. Under the existing lease, the tenant has the first right to negotiate a new lease for the premises at 90% of fair market value upon expiration of the initial term.

### **Discussion**

The boatyards raised four issues for the Nelson Marine lease: rate, percentage rent, recapture provision and term.

**Rate:** PM Realty was able to secure lease information on two of the Alameda boatyards used as comparison by the attorney group. The attorneys required PM to sign a



confidentiality form, so our analysis will refer to boatyards 1 and 2. Attachment 2 outlines PM's analysis of the boatyards.

Essentially, of the two boatyards, the best comparison is boatyard 1 because it has a similar site coverage ratio. Boatyard 2 consists of a very small structure on a large land surface. In addition, the lease structure for the three leases are different, Nelson's Marine is a net lease (tenant pays rent and all expenses) while the two Alameda boatyards are gross leases (tenant pays rent and landlord pays all expenses, including property taxes), which attributes to the difference in the rental rates. Nelson pays possessory interest taxes to the county and city fees.

**Percentage Rent:** The current lease with Nelson allows the ARRA and Nelson to share the cost of an appraisal to determine the correct "market value" for the lease. As a result, the financial terms of the Nelson Marine lease are based on a rental survey/appraisal performed by Dunn & Associates (Attachment 3). The appraisal was initiated and managed by PM Realty Group, the ARRA's property manager.

The appraisal looked at several lease structures, including a percentage rate lease, in which the landlord receives a percentage of the gross annual sales. The appraisal recommended a straight per square foot rate lease in order to avoid fluctuations in the market. However, the new lease with Nelson does allow for the ARRA to collect a percentage of sales, when 6 percent of Nelson's gross annual sales exceed their current rent. Therefore, Nelson would have to exceed approximately \$3.4 million in annual gross sales before the ARRA would receive its 6 percent profit share. In order to monitor the profit breakpoint, PM Realty will require quarterly sales reports from Nelson.

**Recapture Provision:** The attorneys argued that Nelson Marine was benefiting from having subtenants from which the ARRA had no financial gain. Under the proposed lease, Nelson will pay "50% of sums or other economic considerations that exceed in total the sums which tenant is obligated to pay landlord under the lease." For example, if the tenant's rent was \$1000 and they collect \$1500 rent from subtenant, the tenant would pay the landlord \$250. Subtenant sales also are included in the definition of "gross sales", thereby increasing the opportunity to trigger the ARRA's percentage rent share mentioned above.

**Term:** The final issue with the boatyard attorneys was the term of the proposed lease. Originally, the new lease was to be a 20-year term. Due to new discussions between the developer and Nelson Marine about the future development plan, the proposed lease term has been reduced to ten years. Also, the lease reserves the right to reduce the leased premises with 90-day notice to make the land available for development.

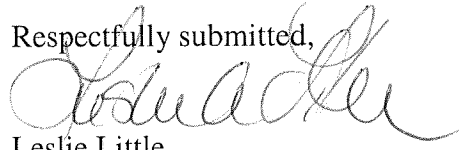
### **Fiscal Impact**


The proposed base rent for the property is:

Years 1-5:	\$16,943 /month	\$203,316/annually
Years 6-10:	\$18,637/month	\$223,644/annually

**Recommendation**

The Interim Executive Director recommends that the Alameda Reuse and Redevelopment Authority approve the proposed 10-year lease with Nelson Marine.

Respectfully submitted,  
  
Leslie Little,  
Development Services Director

  
By: Nanette Banks  
Finance & Administration Manager

PB/SP/NB:dc

Attachments: 1. Letter from Attorneys  
2. PM Realty Analysis of Nelson Marine Lease  
3. Dunn & Associates Rental Survey/Appraisal

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November 8, 2004

**BOATYARDS' SECOND SUBMISSION REGARDING**

**PROPOSED TERMS OF SUBLEASE RENEWAL WITH NELSON'S MARINE**

[November 18, 2004 Agenda]

**TO: Honorable Chair and Members of the  
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY**

**FROM: Four Concerned Bay Area Boatyards, on behalf of themselves  
And the Public Interest**

**SUBJECT: Review of Other Leases of Boatyards Operating within Alameda to Bring the  
Rental Terms for ARRA's Renewed Sublease with Nelson's Marine to Fair  
Market Value**

**A REVIEW OF THE RELEVANT ALAMEDA BOATYARD LEASES DEMONSTRATES  
THAT THE PROPOSED LEASE TERMS GROSSLY FAIL TO REALIZE THE  
PROPERTY'S FAIR MARKET VALUE.**

At the first hearing addressing the terms of the proposed sublease, a Motion was adopted by the Commission requesting the Appraiser, with Dunn & Associates and/or the PM Realty Group, to review the leases of the two other boatyards doing business in Alameda to make the terms of the renewed Sublease with Nelson's Marine competitive with those other leases.

A review of those two Alameda leases, Svendsen's Boat Works and Mariner Boat Yard, reveals that if the current form of proposed Sublease were to be approved by this Commission, the ARRA and **the taxpayers of Alameda would stand to lose more than \$36 million dollars over the proposed 20 year term of the lease.** Three primary factors result in this dramatic disparity between the proposed lease and the other Alameda yard leases which establish the true Fair Market Value of the property:

- (1) Grossly disparate lease rates per square foot and percentage of gross revenue provisions;
- (2) The lack of annual Consumer Price Increases ["CPI"] in the proposed lease; and
- (3) The excessive proposed lease term [the length of the lease].

**(1) THE LEASE RATE IN THE PROPOSED LEASE IS ONLY 20% OF THE PROPERTY'S FAIR MARKET VALUE BASED ON THE LEASE RATE CHARGED IN THE TWO COMPARABLE PROPERTIES.**

The relevant leases do not follow the same form. Exhibit "A" details the relevant provision in the two Alameda leases in which the Board expressed an interest, and discusses discrepancies in the proposed Nelson's lease.

**Svendsen's Boat Works Lease**

- As detailed in Exhibit "A," Svendsen's is paying \$ 0.17 (seventeen cents) per sq. ft. for its yard space and \$ 0.57 (fifty seven cents) per sq. ft. for its buildings.
- For comparison purposes, since the Nelson lease proposal does not provide for a different rate for yard and buildings, on a blended basis Svendsen is paying an average of \$ 0.31 (thirty one cents) per square foot for its entire leasehold versus the proposed rate of \$ 0.06 (six cents) per square foot for Nelson's. *On a percentage basis, the proposed Nelson rent is less than 20% of the rent Svendsen pays.*

**Mariner Boat Yard Lease**

- As detailed in Exhibit "A," Mariner Boat Yard is paying \$ 0.20 (twenty cents) per sq. ft. for the yard space and \$ 0.75 (seventy five cents) per sq. ft. for its buildings.
- In addition to the fixed rent specified above, the "Marine Center Lease" also contains a provision for the Tenant to pay fees based on its annual gross revenue. For example, last year Mariner Boat Yard paid an additional \$39,000 in rent. Accordingly, to arrive at the actual amount of rent paid you must divide this amount equally through the year and add this to the above fixed rental.
- For comparison purposes, since the Nelson lease proposal does not provide for a different rate for yard and buildings, on a blended basis Svendsen is paying an average of \$ 0.30 (thirty cents) per square foot for its entire leasehold versus the proposed rate of \$ 0.06 (six cents) per square foot for Nelson's. *On a percentage basis, the proposed Nelson rent is 20% of the rent Mariner pays.*

**(2) THE LACK OF CPI INCREASES IN THE PROPOSED LEASE LOCKS IN UNREALISTICALLY LOW LEASE RETURNS WITHOUT ANY UPWARD ADJUSTMENT.**

Despite CPI increases in comparable leases in Alameda, including annual increases and a CPI provision in another sublease between the ARRA and the same lessee, the subject lease inexplicably excludes the customary CPI adjustment provision. The result is to grossly squander public assets and to compound the severe competitive disadvantage which would be suffered by other business in the area if the proposed lease were adopted.

Svendsen's leases have annual CPI provisions for increasing its rental rates. The Mariner Boat Yard also has annual CPI provisions in its leases.

The ARRA's Sublease of Premises "Building 66" to Nelson [which is not currently being renegotiated because its 10 term does not expire until 2009], also contains annual increases in the rental rate averaging 6.25% over the first five years of the lease term, and a provision for an annual CPI increase for the last four years.

*In contrast, the proposed Sublease terms for Building 167 contains a fixed rental rate provision over each of four five year periods, with very modest increases at each five year interval over the twenty year term, and the rates remain fixed once again for each five year interval.*

*The economic impact of this is dramatic. If the ARRA were to elect to adhere to the proposed 20 year term of the Sublease, **this discrepancy in comparison to the CPI that the two other Alameda boatyards are paying would result in the ARRA and the taxpayer of Alameda losing income in the range of \$36,918,000**, when combined with the marked inequity in the rental per square foot rates.*

The combined financial impact of these terms is depicted in the attached Exhibit "B".

**3) THE PROPOSED LEASE'S TWENTY YEAR TERM DRAMATICALLY INCREASES THE LOST INCOME EFFECT TO THE CITY'S TAXPAYERS.**

The Mariner Boat Yard lease has a length of 10 years. Svendsen's Boat Yard's original lease term was for 7 years and it was extended to 15 years. Long term leases are not inherently problematic as long as rent discrepancies which typically occur over extended terms are accounted for with annual CPI adjustment provisions. There is no such adjustment in the proposed lease. The proposed lease also varies from the other leases of comparable properties in granting a renewal option at a discount from "fair market value." Neither of the comparable leases contains such a provision.

It is fundamentally unsound fiscal policy to tie the City down with a 20-year term without annual lease increases based on the CPI. The lack of such a provision in the proposed lease will exacerbate the loss of income to the City in what are projected to be particularly difficult fiscal times. The unwarranted lease advantage that would be granted Nelson would also totally destroy any competitive balance among boats yards in Alameda and throughout the Bay.

**CONCLUSION**

The attached article in "Boat & Motor Dealer" (Exhibit "C") details how Nelson's Marine has become "a waterfront service mecca" and credits them with creating "a marine complex that is among the largest in California, with a relatively small investment". The facility is described as a "marine mall" in which Nelson's sub-leases space to nine other marine

businesses. Not only does Nelson's charge its subtenants rent, it also receives 15% on the sales it refers to those sub-tenants. The article makes it clear that Nelson's Marine is in the real estate business as much, if not more, than in the boat repair business. The City of Alameda owns this prime Bay Front property. It is the City, as prime landlord, which should be getting a fair market return on its real estate assets.

The boat repair business is a small industry. In the immediate Bay Area there are only 11 boat yards. This submission speaks for four of those yards. Those boatyards, having reviewed the proposed terms of the ARRA's renewal of its sublease to Nelson's Marine, unanimously agree that the proposed terms will be detrimental to fair market competition in the marine repair industry. *The above analysis also demonstrates that the proposed lease will dramatically reduce the Fair Market return that the City and the taxpayers of Alameda can reasonably expect to realize from this Prime Bay Front Property and will result in tens of million of dollars in lost revenue to the taxpayers of the City of Alameda over the proposed 20 year term of the sublease.*

In the interest of fair competition, and in the interest of fiscal responsibility, we respectfully urge the Board to reject the proposed lease.

Respectfully submitted,

GIBSON ROBB & LINDH LLP

By \_\_\_\_\_  
Peter A. Lindh

Exhibits: (A) Summary of Alameda Boat Yard Leases  
(B) Summary of Loss  
(C) Article from "Boat & Motor Dealer" August 2003  
(D) Comparable Alameda Boat Yard Rent

## **Exhibit “A”**

### **SUMMARY OF ALAMEDA BOAT YARD LEASES**

#### **Svendsen’s Boat Works**

- This lease is dated 17 September 1993. It was to have expired in November of 2000 but was extended until April 2015. There are no provisions for extensions or discounts from “fair market value” if the lease were to be renewed.
- The base rent was \$20,000, which increases each year by the CPI after 2000. This translates into approximately \$21,730 in 2004. (We do not have the exact amount to the penny Svendsen is paying).
- This rental portion of the lease is not broken down between yard and buildings. Nor are there any breakdowns on a dollar per square foot basis. Although the lease does not specify the price per square foot, it can be calculated by taking the total rent currently paid and dividing by the square feet rented.
- The parcels of this lease consist of Building 12 with an area of 16,188 sq. ft (2<sup>nd</sup> and Mezzanine floors have not been included as they are reportedly dilapidated and “unusable”) and Building 36 with an area of 4,995 sq. ft. This totals 21,183 sq. ft. for the two buildings.
- The total yard area is calculated at approximately 60,000 sq. ft.
- The lease was modified in October of 1996 to include additional space at the rate of \$6,000 per month, to increase each year by the CPI after 2000. This should result in additional rental in the range of \$6,519 per month in 2004.
- The modification included additional “dock space” with an area of 6,210 square feet at \$2,000 per month or approximately \$0.32 per sq. ft. per month, in 2000.
- The modified lease also includes Building 34 which has 8,040 sq. ft. of space rented at the rate of \$4,000 per month or \$0.49 per sq. ft. per month, in 2000.
- There is a second lease for Building 33, with rental space of 8,040 sq. ft. which expires in November 2005. The rent started at \$3,800 and increased each year by CPI, which translates into approximately \$4,128 in 2004.
- *The sum of the Buildings; # 12, # 36, # 34 and # 33 equals 37,263 sq. ft.*

## EXHIBIT "A"

- *The sum of the yard space, 60,000 sq. ft., plus the "dock space," 6,210 sq. ft., equals 66,210 sq. ft.*
- *The total lease payments adjusted by CPI should be approximately \$32,378 per month [the Appraiser stated that it was paying \$32,596 so our estimate is very close.] If you "back into" the price per square foot for yard space this equals approximately \$.017 per sq. ft. for the yard space and \$.0.57 per sq. ft. for the buildings.*
- *As a simple means of making a comparison between the Svendsen and Nelson's leases, if the total square feet rented is divided by the rent paid, this produces a per square foot rent of \$0.31 for Svendsen versus \$0.06 for Nelson. **On a percentage basis, the proposed Nelson rent is less than 20% of the rent Svendsen pays.***

### Mariner Boat Yard Lease

- This lease is dated 15 February 1996 with a term of 10 years. There are no provisions for extensions or discounts from "fair market value" if the lease were to be renewed.
- The "Marine Center Lease" consists of office & shop space identified as #10.23, #10.24 and #10.25 with a total of 1,205 square feet. At the inception of the lease the price per sq. ft. was \$0.50. The yard space is not specified in sq. ft. but it is reportedly 44,000 sq. ft. The lease identifies the starting rate for the yard space in February 1996 as \$5,600 per month or approximately \$0.13 per sq. ft. The lease identifies 240.5' of lineal dock space at a starting rate of \$1,322.75, or \$5.50 per foot, which is now renting for \$6.00 per linear foot.
- There is a second lease consisting of office & shop space identified as #10.1D with 971 square feet. At the inception of the lease the price per sq. ft. was \$0.50. The base rent was \$485.50 at the inception and has increased to \$728.00.
- *The sum of the office & shop space rented in both of the two leases equals 2,176 sq. ft. The current rent for this space is \$1,632 or \$0.75 per sq. ft.*
- *The sum of the yard space rented equals approximately 44,000 sq. ft. The current rent for this space is \$8,910.25 or \$0.20 per sq. ft.*
- In addition to the fixed rent specified above, the "Marine Center Lease" also contains a provision for the Tenant to pay fees based on its gross sales which, "shall include all sales made...received by Lessee for all other sources of income derived from the business conducted on the premises." Mariner is paying 6% of gross revenue that exceeds \$750,000. Mariner Boat Yard informs us that its sales for 2003 were \$1,400,000, Deducting the \$750,00 threshold leaves \$650,000. Applying the 6% to the \$650,000 in revenue above the threshold results in an additional \$39,000 rent for the year. On a percentage basis, the fixed rent paid by Mariner Boat Yard is 16.5% of the gross revenue threshold. [Annual rent per sq. ft, \$126,504 (not including berthing), divided by threshold gross revenue, \$750,000]. As discussed below, the recommendation for



## EXHIBIT "A"

*adoption of the lease is misleading in suggesting that the Nelson and Mariner leases are similar because they each provide for a percentage of gross income above a certain threshold.*

- *As a simple means of making a comparison between the Mariner and Nelson's leases if the total square feet rented is divided by the rent paid, this produces a per square foot rent of \$0.30 for the Mariner lease versus \$0.06 for the Nelson lease **On a percentage basis, the proposed Nelson rent is 20% of the rent Mariner pays.***

### The Proposed Terms of the Nelson's Sublease

- As to the sublease pertaining to Premises "Building 167" [The Sublease that is the subject of these hearings] there are discrepancies between the prior lease and the proposed lease in terms of square feet rented. The prior lease listed the "Building" as having 55,400 sq. ft. of space versus the proposed at 53,785. The "Land" is stated to be 201,275 sq. ft. versus the proposed sublease figure of 186,872 sq. ft. The following calculations have been based on the prior figures but may easily be adjusted once the discrepancies have been explained and the accurate figures have been ascertained.<sup>1</sup>
- The proposed lease does contain language requiring the tenant to pay a percentage of gross sales above a fixed threshold, based on the square feet rented.
- However, the rent charged on the fixed threshold is 6% in the proposed Nelson lease, versus the 16.5% rent charged in the Mariners lease.
  - (a) *The Mariner Boat Yard lease specifies that when the gross sales exceed \$750,000, Mariner pays 6% of excess revenue in addition to its fixed rent. As detailed above, the \$126,504 fixed rent paid in the Mariner Boat Yard lease represents 16.5% of the threshold gross sales figure of \$750,000;*
  - (b) *In the Nelson lease, however, the same 6% of gross sales rent is charged on both the threshold and the excess gross sales. If the 16.5% of a threshold gross sales formula used in the Mariner Boat Yard lease were used in the proposed Nelson lease, the corresponding threshold for Nelson based on a market value monthly rent of \$69,000 would be \$4,908,845, and the annual fixed rent would be \$828,024, not the \$203,316 proposed.*
  - (c) *Based on the revised averages of the two comparable Alameda boat yards, Nelson's monthly rent should be \$85,752 per month or \$1,029,024 per year. (See attached Exhibit "D")*

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<sup>1</sup> Nelson's advertises "132,000 sq. ft indoor facility on 15 acres". The two leases state however that Building 167 contains 55,400 sq. ft. and Building 66 contains 28,542 sq. ft., which total 83,942 sq. ft. or 1.92 acres. Where is the other 48,058 sq. ft. of indoor space? The lease for the "Land" is 201,275 or 4.62 acres. If the indoor space is added to the "Land" this is a total of 6.54 acres. Where are the other 8.46 acres? This discrepancy should also be addressed and resolved.

**EXHIBIT “A”**

## EXHIBIT "B"

### SUMMARY OF LOSS

#### Proposed Extension vs. Fair Market Appraisal

	As Proposed Before ARRA Adjusted Every 5 Years	Based on Fair Market Following Prior Lease Adjusted Annually
Year One - Mo. Pmt.	\$ 16,943	\$ 85,752
Year Two - Mo. Pmt.	\$ 16,943	\$ 91,652
Year Three - Mo. Pmt.	\$ 16,943	\$ 97,957
Year Four - Mo. Pmt.	\$ 16,943	\$ 104,697
Year Five - Mo. Pmt.	\$ 16,943	\$ 111,900
Year 6 - Mo. Pmt.	\$ 18,637	\$ 119,599
Year 7 - Mo. Pmt.	\$ 18,637	\$ 127,827
Year 8 - Mo. Pmt.	\$ 18,637	\$ 136,622
Year 9 - Mo. Pmt.	\$ 18,637	\$ 146,021
Year 10 - Mo. Pmt.	\$ 18,637	\$ 156,067
Year 11 - Mo. Pmt.	\$ 20,501	\$ 166,805
Year 12 - Mo. Pmt.	\$ 20,501	\$ 178,281
Year 13 - Mo. Pmt.	\$ 20,501	\$ 190,547
Year 14 - Mo. Pmt.	\$ 20,501	\$ 203,656
Year 15 - Mo. Pmt.	\$ 20,501	\$ 217,668
Year 16 - Mo. Pmt.	\$ 22,551	\$ 232,644
Year 17 - Mo. Pmt.	\$ 22,551	\$ 248,649
Year 18 - Mo. Pmt.	\$ 22,551	\$ 265,756
Year 19 - Mo. Pmt.	\$ 22,551	\$ 284,041
Year 20 - Mo. Pmt.	\$ 22,551	\$ 303,582
<b>Sum Of Rent Pmts. Over 20 Years</b>	<b>\$ 4,717,920</b>	<b>\$ 41,636,680</b>

City of Alameda will loose \$36,918,760 with this proposal.

August 2003  
\$5.95

# Boat & Motor

Business Solutions for the Boating Trade **Dealer**

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Accessories sales:  
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with the big guys

p. 15

Where are they  
now? Dealer turns  
builder rep

p. 24

Leadership profile:  
John Underwood

p. 25

Propellers that  
turn profits

p. 26

Product Focus:  
Make the most of  
winterizing

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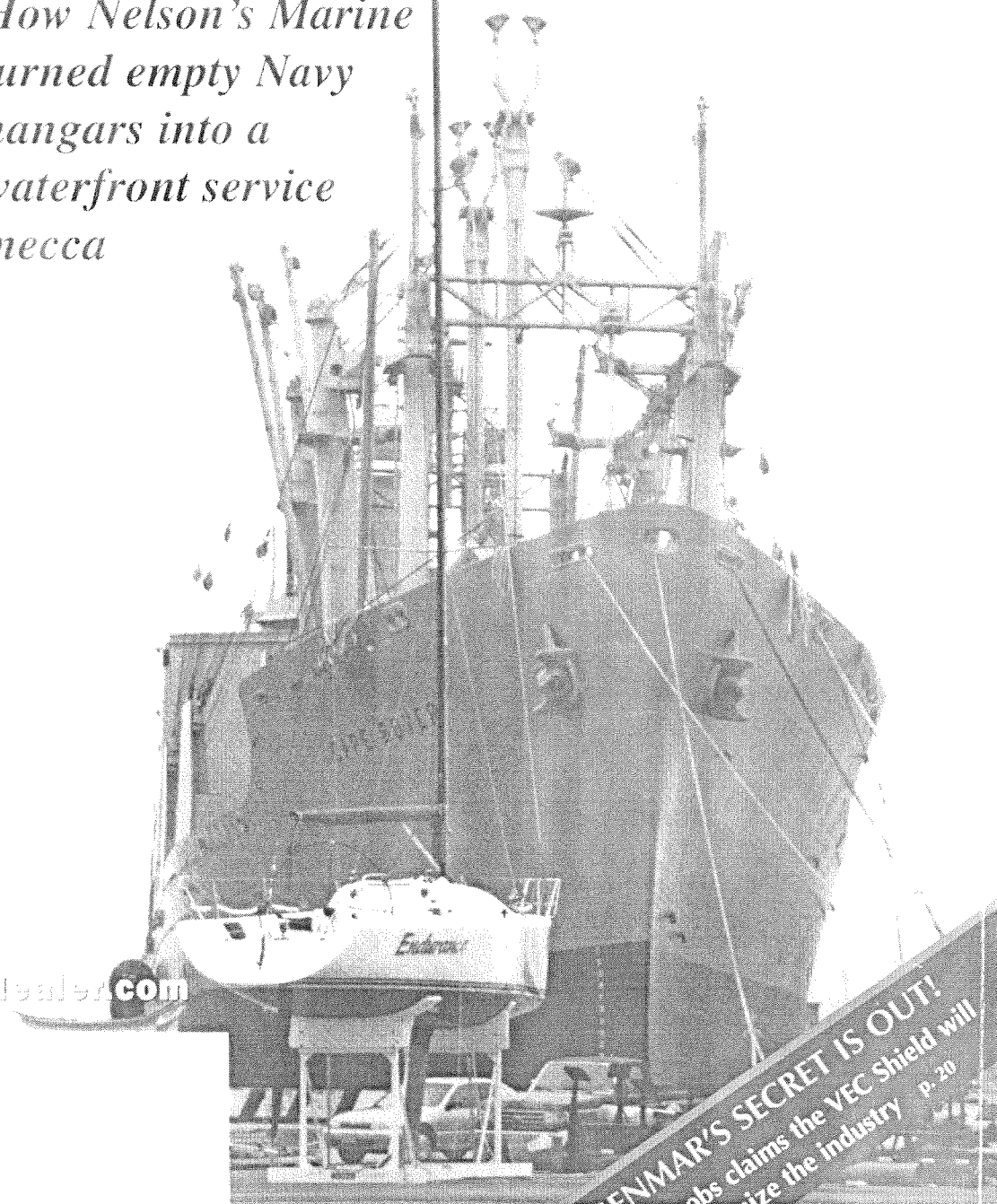
New ways to sell  
boat covers

p. 32

## Building a service giant

*How Nelson's Marine  
turned empty Navy  
hangars into a  
waterfront service  
mecca*

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**ENMAR'S SECRET IS OUT!**  
Enmar claims the VEC Shield will  
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# Nelson's Marine

*An oasis of boating services flourishes on a former military base*

BY JOSEPH STANFORD  
PHOTOS BY DENISSE LEATXE

**T**he idea may have seemed a little crazy at first, as most good ideas do. Take a thriving boat repair business in the heart of the bustling Alameda waterfront and transplant it to desolate, abandoned buildings on the former Alameda Naval Air Station.

To be sure, from some angles the base's old hangars ~~looked like a boat-~~ yard manager's dream: lots of space... sheltered waterfront access... and a huge indoor industrial workspace. But where were the boats? Other than the gray ghosts of the U.S. Military Sealift Command's Naval Supply vessels looming over the barren yard, there were no vessels to be seen.

There would also be no marine businesses nearby, as the site was located at

the westernmost tip of Alameda Island, miles from the nearest marina. Customers who came by land would have to wend their way through a maze of streets and a seemingly endless wilderness of asphalt runways, past lots being slowly reclaimed by nature. That was if they came at all.

## Changing times and fortunes

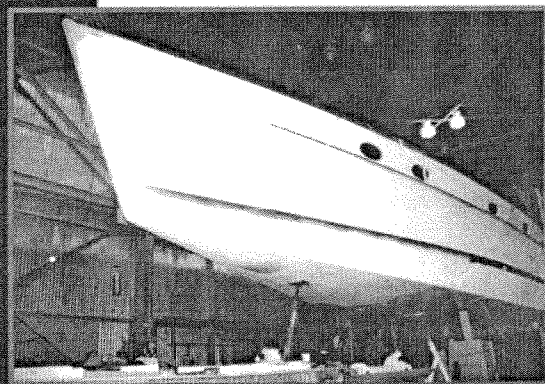
In 1995, when this idea first surfaced, Nelson's Marine was repairing boats on a former industrial waterfront site. The location had provided a steady stream of work, being adjacent to the long string of marinas that line the estuary between Oakland and the much quieter island community of Alameda. Carl Nelson had started the business ten years earlier, at the age of 25, and it had grown steadily, earning about \$1 million in revenues that year.

**ANNUAL NEW BOAT SALES:**  
**\$1.5-2 million**  
**ANNUAL BROKERED SALES:**  
**\$3 million**  
**ANNUAL SERVICE REVENUES:**  
**\$3-4 million**  
**EMPLOYEES (TOTAL):**  
**20**  
**SALES STAFF:**  
**5**  
**OFFICE STAFF:**  
**3-4**  
**SERVICE STAFF:**  
**12**  
**SERVICE AREA:**  
**113,000 sq. ft.**  
**SHOWROOM SPACE:**  
**38,000 sq. ft.**





*Nelson's maintains 1000 feet of service-dock space on a waterfront undergoing a major—and historic—transformation.*



*Top: A view from the catwalk at the edge of a former hangar, showing one of Nelson's Marine's general service bays.*

*Middle: A single bay from the old hangar facility provides ample space for their small, but diverse, new-boat offerings.*

*Bottom: The Lively, a Farr 65, is currently undergoing a complete rebuild, estimated to take just over a year and cost roughly \$350,000.*

But the repair yard was starting to feel the limitations of its location. There were few buildings on the property, so all the major work had to be done outside. This put severe restrictions on their painting operations, and slowed them down during Northern California's notoriously wet winters. California's economy was also booming in the mid-'90s and Carl and his father, Hal (who had joined him in the venture), saw nothing but growth on the horizon for boating in the Bay Area.

Meanwhile, as Nelson's was expanding, the Alameda Naval Air Station, at the opposite end of the island, was slowly sinking into an uncertain fate as a result of the military's consolidation of bases that began in the 1980s. By 1995, much of the facility was empty, and only helicopters were using the hangars and runways.

## Floating an idea

In the fall of that year, John Platt, a sales rep for West Marine, mentioned to Carl that the Navy was rumored to be planning to lease some of its unused land, including a complex of aircraft hangars. The lure of those expansive facilities and the wide-open spaces around them would prove to be irresistible.

"If you had to design a facility for a boat yard, I think an airplane hangar is the perfect thing," says Carl. "The old facility was totally inadequate for indoor work. It had only about half the

outdoor space of what was available on the Navy's land. So we contacted the management team that the City of Alameda had put in charge of developing the site. We got a very positive reception from the city, and we ended up signing a five-year lease. We were limited to that short time-span because the Navy was still involved with the base, they were still in transition, and they hadn't really defined what they were going to do."

## Nothing ventured, nothing gained...

When Nelson's began moving into the airplane hangars in the spring of 1996, the USS *Carl Vinson* was still docked nearby. Helicopters made regular flights into and out of the base, providing a daily reminder that Nelson's Marine had a tenuous grip on that land. The Navy could easily change its mind, and the entire facility would be uprooted after five years.

"It was a big risk," Carl recalls. "There was no contingency plan, because there's really not much waterfront space available on the Bay. If this hadn't worked out, there'd really be no place to go."

It was a leap of faith that would leave the Nelsons in an anxious state of limbo for the first five years at the new location. "We had to put off all our major physical upgrades to the building," Carl adds. "We even put off any real landscaping—instead, we put all the plants in pots, and every time we went to do something, we had to ask ourselves, 'How permanent is this going to be?'"

Even with all that care to not over-invest, moving in was still a costly undertaking. "We had to build our own docks and upgrade the building with electrical wiring and sprinklers," Carl says. "By the time we got it all done, we had spent about \$750,000. We never would have gotten the money out of that investment if we had to leave after five years."

Fortunately, upgrades required on the physical structure have been minimal. As Carl had predicted, the facilities turned out to be ideal for boatyard work. Large bays allow for many sizes and shapes of boats; offices are located in the same building; balconies built on the edge of the office area afford a bird's-eye view for keeping an eye on the facilities; and large asphalt lots surround the building, providing plenty of space for moving and storing boats.

Still, their careful budgeting has not prevented Nelson's from running a full-

service boatyard. According to Art Puett, who's been the yard manager for 17 years, "We can repair almost everything here, and what we don't cover, we can subcontract out to one of the other businesses here."

And there's not much they don't repair. Nelson's advertises the following services on their Web site: fiberglass repair; prop and shaft work; engine repair and rebuilds; rigging; wood-work; full painting services; and interior repairs and installations. And to bring customers in, they offer a free eight-point inspection, which covers valves, hoses, clamps, cutlass bearings, shafts, props, hull, and rigging.

### An empty pot becomes a feast

While the initial conversion proved relatively uncomplicated, the Nelsons faced another challenge—how to persuade other businesses to join them. They knew the site had great potential, but they also knew it would only be fully realized with more marine businesses in the area. Customers, after all, would need good reason to drive those lonely roads through the old base. However, businesses would only come if they could be persuaded that many others would join them. It would take a lot of faith and cajoling, and perhaps some blind luck, but if enough people believed those dusty hangars represented a good business opportunity, money would surely be made.

So Carl approached riggers, wooden boat builders, canvas makers, sailmakers, and a boat broker. None were large businesses on their own, but when they cast their lots in with Nelson's, they found themselves in good company, with the promise of a steady stream of customers at the complex.

Some might ask, why not just hire more workers and provide all the services through one company? For one, Nelson's had neither the time nor the money to invest in such an ambitious personnel expansion; and secondly, the all-too-familiar shortage of skilled workers, especially for the often esoteric crafts involved in high-end yacht repair, made this path impractical.

"Rather than trying to be everything for everybody, we figured it was more important for us to focus on what we were good at," Carl says, "and we'd bring other businesses in to cover the other areas. That would keep the quality of workmanship high."

His father echoes that sentiment,



To limit their initial investment in the facility, Nelson's constructed temporary, movable painting booths.

adding, "Organizing a lot of highly skilled boat workers can be a little bit like trying to herd cats." This, he says, is especially true with a facility such as Nelson's that serves a wide range of craft, from classic wooden sailboats to high-performance racing boats, as well as all kinds of powerboats.

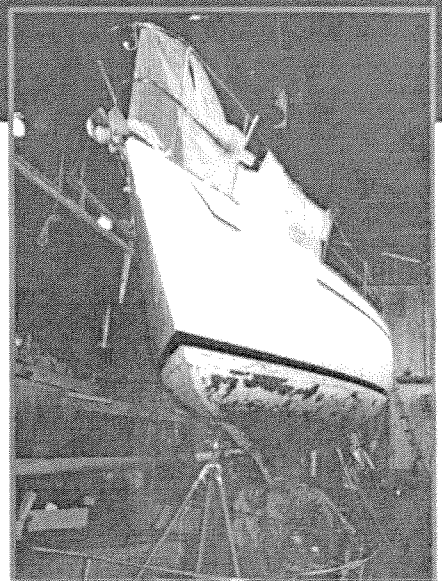
"Labor is a constant problem," he continues, "because people who work on boats are a special breed. Some of the most skilled ones are very independent-minded people. You give them space and some freedom to run their own shops and they do a great job. Boat customers can be much more demanding than automotive customers, simply because they know a lot more. There's no room for error, and that level of quality is hard to maintain if you have to manage a large shop."

### A marine mall is born

"It was difficult to get the first two businesses to come here," Carl recalls. "We had nothing to show, just some warehouses and a big empty lot. But once they moved in, we got the Travelift going, and we started operating, so it became easier to sub-lease the space."

Today Nelson's Marine shares the facility with nine other marine businesses: Fred Anderson Wooden Boatworks; Jack D. Scullion Yacht Services; Metropolis Metal Works; Neptune Marine Towing; UK Sail Makers; Pac Cal Canvas; Christine Fiegert, marine artist; Drake Marine; and Hansen Rigging.

Jack Scullion was one of the first of the sub-tenants to move in. In fact, his shop was up and running at the new



Although it occupies only a small fraction of the complex, Jack Scullion's shop is spacious enough to perform full-service rigging work on large yachts.

location before Nelson's had completed their move. While Jack's rigging and electrical service shop is as large as many independent repair shops, it occupies only a third of one of the bays. Next to him, to the east, is Fred Anderson Wooden Boatworks (which today contains an old teak Chinese junk in the yard for a refit). To the west is a space that Nelson's is using for a long-term project.

"This set-up has worked quite well for me," Jack says. "I've got my niche in the local community, and being here exposes me to more potential customers. It also gives Nelson's the opportunity to use me as a subcontractor, or refer people to me for the skills they don't have. For instance, with the boat I'm working on now, I subcontracted the hull painting to Nelson's. We follow the accepted industry-standard 15 percent discount for subcontracting. I do work for Fred Anderson as well. We all end up doing work for each other, so everybody's busy."

### Making the best of the location

The Nelsons' ambitious plan has worked, and provided them with some unforeseen opportunities. Shortly after moving to the Navy base, Carl began a yacht brokerage, and in 2001 it merged with Perfection Marine, which had been one of his tenants. Under the name of Nelson's Yachts, the brokerage now offers some 90 boats, 30 of which are kept on display out of the water at the yard. In 2000, they also began selling new boats, offering two foreign

brands, Bavaria and Sydney, and a small line of trailerable sailboats.

Bill Xavier, who ran Perfection Marine before merging with Nelson's, says, "We have a strong brokerage, so it minimizes the overall risk. That allows us to take other risks in selling these lines that are new to the American market. That means we may be getting in on the ground floor of something big. And no matter what happens, we've always got the brokerage to fall back on when new-boat sales slack off. The brokerage has been steady all along."

The rare privilege of having "surplus" space has not been lost on Carl, and he's done everything he can to make the most of it—always, though, with a keen eye towards bringing more people out to the facility. He's offered dry storage, but combines this with a do-it-yourself repair area. There, boaters can make almost any repair imaginable, with the exception of spray painting and welding. And, by the way, it's not unusual at all for do-it-yourselfers to end up requiring the professional services of Nelson's or one of their tenants.

A perfect example of the advantages of the size and diversity of the Nelson's Marine complex is the work being done on a high-speed cruiser, currently undergoing a complete rebuild. The Farr 65 *Lively* is owned by John Townsend, a custom-home builder who describes himself as "very meticulous." He says he shopped around all over California before settling on Nelson's for this massive job. By the time the work is complete, *Lively* will have been in the yard for over a year.

"I didn't like the boat's interior layout, so they've literally taken the boat down to a bare hull," Townsend says. "They've also re-powered, and replumbed the vessel. I chose to come here because they offer so many services at one location, and the quality of all the work is high. They were also able to keep the boat indoors throughout the project, which most facilities can't offer. And, they understood my meticulous nature and were willing to work with that."

### Looking ahead

In the relatively brief history of Nelson's Marine, there have been risks, and some have been big. But for the most part, the steps have been measured, and the business model has rested on solid foundations. They have managed to create a marine complex that is among the largest in California, with a relatively

small investment. They've also made promising inroads into new-boat sales, all the while preserving a solid foundation of brokerage sales. And so there are no huge floorplans that might cripple the company in a downturn.

When we visited in May and Carl gave us a tour of the facility, he was proud to point out that he may finally be able to set aside some of his more cost-conscious ways. He had just resigned his lease, guaranteeing the business a home at that location for the next 25 years. "It's a big weight off our shoulders," he said, "and it means we

can start doing a lot of little things we've had to put on hold."

In addition, the City of Alameda has approved a developer's plan for the rest of the old base, which includes an 800-slip marina to be built in the same lagoon as the boatyard's docks. This plan will bring housing and many more boaters to the area. And when they come, Nelson's will already be there, ready to service the new boating community. Then, it's likely that the risks the Nelsons have taken and their frugal approach to business will pay a greater dividend than they ever imagined. ⚓

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## Exhibit "D"

### COMPARABLE ALAMEDA BOAT YARDS - BASED ON SQUARE FEET RENTED

Comp No.	Tenant	Yard Area Price per ft.	Office/Shop Area Price per ft.	Dock Area Price per ft.
2	Svendsen's Marine	66,210 sq. ft. \$0.17 sq. ft. mo.	37,263 sq. ft. \$0.57 sq. ft. mo.	270' \$5.67 per ft. mo.
3	Mariner Boat Yard	44,000 sq. ft. \$0.20 sq. ft. mo.	2,176 sq. ft. \$0.75 sq. ft. mo.	400' \$6.00 per ft. mo.
Average of Comparable Yards in Size		55,105 sq. ft.	19,719 sq. ft.	335'
Average of Comparable Yards \$ Per Sq. Ft.		\$0.19 sq. ft. mo.	\$0.66 sq. ft. mo.	\$5.83 per ft. mo.

### NELSON'S MARINE RENT BASED UPON COMPARABLE BOAT YARD RATES TO ESTABLISH MARKET VALUE, INCLUDING 10% DISCOUNT

	Yard Area Price per ft.	Office/Shop Area Price per ft.	Dock Area Price per ft.
Nelson's Area Based on Lease			
Comparable Alameda Boat Yards, Less 10%	201,275 sq. ft. \$0.17 sq. ft. mo.	55,400 sq. ft. \$0.59 sq. ft. mo.	400' \$5.25 per ft. mo.
Monthly Rent Based On Sq. Ft. Rented	\$34,216 per mo.	\$32,686 per mo.	\$2,100 per. mo.
Yearly Rental On Sq. Ft. Rented	\$410,592 per yr	\$392,232 per yr.	\$25,200 pr yr.
<b>COMPARABLE MONTHLY RENT - Per. Ft.</b>	<b>\$69,002 per mo.</b>		
<b>COMPARABLE ANNUAL RENT - Per. Ft.</b>	<b>\$828,024 per yr.</b>		
<b>COMPARABLE PERCENTAGE OF GROSS RENT</b>	<b>\$201,000 per yr.</b>		
<b>TOTAL COMPARABLE ANNUAL RENT DUE</b>	<b>\$1,029,024 per yr.</b>		
<b>TOTAL COMPARABLE MONTHLY RENT DUE</b>	<b>\$85,752 per mo.</b>		



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## MEMORANDUM

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**TO:** Honorable Chair and Members of the  
Alameda Reuse and Redevelopment Authority

**FROM:** David A. Jaber  
Regional Vice President

**SUBJECT:** Nelson Marine Lease Renewal

**DATE:** February 17, 2005

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A proposal to approve the lease for Nelson Marine for Building 167 was submitted to the ARRA Board on September 1, 2004.

When this lease was negotiated, five (5) important goals were achieved.

1. Offer a lease term long enough to provide an incentive for the tenant to invest significant capital into building improvements.
2. Guarantee the ARRA a steady income stream over the life of the lease, starting at 90% of Fair Market Value (FMV). This was one of the renewal requirements of the existing lease.
3. Provide the ARRA with the opportunity for additional income should the tenant's sales exceed a certain threshold (percentage rent).
4. Allow the ARRA to generate additional income by including a clause in the lease, which requires the tenant to share with the ARRA, 50% of their net proceeds derived from sublease income.
5. Provide the future developer the right to decrease the total leased area, when necessary, so as not to negatively impact the future development.

Four Concerned Bay Area Boatyards opposed the Nelson lease on behalf of themselves and the "Public Interest" ("Four Boatyards"). The attorney representing the Four Boatyards, at that time, raised concerns with regard to a June 10, 2004 Rent Survey that was conducted by Mike Dunn of Dunn & Associates, an MAI appraiser, on behalf of PM Realty Group. According to the calculations of the Four Boatyards' approval of the lease transaction would result in a \$34,308,941 loss to the City of Alameda during the proposed 20-year lease term.

At the conclusion of this agenda item at the ARRA Board Meeting, PM Realty Group was asked to analyze the rent differential provided by the Four Boatyards' attorney so that the City could be certain that the terms of the Nelson Marine lease are competitive with other boatyard leases within Alameda.

The initial attorney representing the Four Boatyards has subsequently been replaced. The new attorney is now contending that the proposed 20-year lease would result in a loss of \$36,918,760 to the City of Alameda over the term of the lease. According to the Four Boatyards' attorney, *the three primary factors that result in the disparity between the proposed lease and the other Alameda boatyard leases*, for establishing the fair market value of the property are:

1. Grossly disparate lease rates per square foot and percentage of gross revenue provisions;
2. The lack of annual Consumer Price Increases ["CPI"] in the proposed lease;
3. The [excessive] proposed lease term [the length of the lease]

Based upon the direction provided by the ARRA Board, and taking into consideration the recent memorandum from the Four Boatyards' attorney, PM Realty Group, working with Dunn & Associates, has completed the analysis that compares the Nelson Marine lease with those of two Alameda Boatyards.

The best alternative to responding to the ARRA Board's directive is to address the specifics raised by the Four Boatyards' new attorney. The following sections will address the three concerns and then provide a summary at the end.

#### **Lease rates per square foot and percentage of gross revenue provisions**

The steps that were implemented for analyzing the Nelson Marine lease to that of the other two Alameda Boatyards were as follows:

1. Determine the site coverage ratio for each of the properties.
2. Determine the adjustment for gross rent to net rent.

### 3. Compare the rent for each lease.

#### Site Coverage Ratio

Site coverage ratio is a calculation used to determine what percentage of the land is covered by improvements. The use of site coverage ratio allows for the comparison of different size properties, since each is broken down to a percentage of the total coverage for that particular site. In addition, the ratio allows for adjustments for the rent per square foot depending upon whether or not the comparable property is either superior or inferior to the subject property based upon the respective site coverage ratio. It should be noted that the land used for the calculation is all land including that which contains improvements.

$$\text{Site Coverage Ratio} = \text{Total Building Area} / \text{Total Land Area}$$

The lease for Nelson Marine specifies that Building 167 is 53,785 square feet and the land contained in the lease is 186,872 square feet. This results in a site coverage ratio of 29% for the Nelson Marine lease.

The leases and information provided by the Four Boatyards' attorney did not specify the total land for each lease. Instead building space and yard space were provided. Therefore, in order to provide some comparison between the Nelson Marine lease and the two Alameda Boatyards we have included an attachment that indicates our calculation of the site coverage ratio for all three properties. To make the comparison equal, we have added the building square footages to that of the yard leases for the two comparable Alameda Boatyards. The leases for the two comparable Alameda Boatyards were not specific as to the amount of yard square footage and the information used in our analysis was provided directly by these tenants.

Nelson Marine has a similar site coverage ratio to Alameda Boatyard #1 (29% to 33%). Alameda Boatyard #2 is not a good comparable since the site coverage ratio is significantly below the ratio of the other boatyards. However, in an effort to include Alameda Boatyard #2 as a comparable in the rental survey per the ARRA's request, the rental rate per square foot of building space will need to be adjusted downward to reflect the disparity in the site coverage. The discount or adjustment applied to the rental rate will be 84%. This discount rate is reflective of the difference between the site coverage ratio of Alameda Boatyard #2 and Nelson Marine.

#### Gross Rent to Net Rent Adjustments

In order to compare any lease it is important to make certain that the lease types are either similar or adjustments are made to compensate for the difference in the lease terms. The two primary types of leases used and a simple definition are as follows:

Gross Lease – Tenant pays rent and landlord pays all expenses.

Net Lease – Tenant pays rent and all expenses.

There are some variations to these types of leases so a review of the lease terms was necessary to determine the differences between the Nelson Marine lease and those of the two other Alameda Boat Yards. *After review of all three leases it was determined that the Nelson Marine lease is a net lease while the leases for Alameda Boatyard #1 and Alameda Boatyard #2 are modified gross leases. The primary difference between the two lease types is establishing who is responsible for the payment of real estate taxes, property insurance and maintenance of the building.*

In order to compare the Nelson Marine lease to the two other Alameda Boat Yards, an attachment has been prepared which shows both a range and an average cost per square foot for taxes, property insurance and maintenance. These numbers, which are based upon industry average, were provided by Dunn & Associates. The 'gross rent' to 'net rent' conversion is \$0.45 per square foot.

#### Rent Comparison

The next step in the comparison was to compare the per square foot rent for each of the properties on a net lease basis. The monthly rent provided by the two Alameda Boat yards included pier rent. Since pier rent is not included in the Nelson Marine lease, an adjustment was made to remove the pier rent for the two comparables. The monthly rental payment was then broken down to a rent per square foot of building improvements. Because of the lower site coverage ratio of Alameda Boatyard #2, a discount of 84% was applied to the rent per square foot. After applying the discount the adjusted rate per square foot for Boatyard #2 is \$0.79 on a gross rent basis.

After determining the adjusted rent per square foot for each of the leases the conversion to net lease could be performed. This was accomplished by deducting the gross to net rent expense of \$0.45 from each of the gross leases.

On a net rent basis the range from the three leases was from \$.34 to \$.38 per square foot. The Nelson Marine lease is in the middle of the range when the rate is adjusted for 100% of fair market value.

#### Percentage Rent

The Nelson Marine lease contains a clause requiring the tenant to pay 6% of sales in excess of \$3,388,600 in addition to the monthly fixed rent. Alameda Boatyard #1 does not have a percentage rent clause in their lease. Alameda Boatyard #2 has a clause requiring the tenant to pay 6% of all sales in excess of \$750,000.

The dollar amount of sales after which percentage rent is paid, is called the breakpoint. The breakpoint in the Nelson Marine lease is \$3,386,800. The breakpoint was calculated by dividing the annual rent by the percentage rent or as follows:

$$\begin{aligned} &\text{Monthly rent} - \$16,943 \\ &\$16,943 \times 12 \text{ months} / 6\% = \$3,388,600 \end{aligned}$$

*This method of calculation for determining the breakpoint in the Nelson Marine lease is consistent with industry standards or "market" for determining the calculation for percentage rent. This was confirmed with Dunn & Associates as well as representatives of Cushman & Wakefield.*

The percentage rent calculation for Alameda Boatyard #2 is identical to Nelson Marine with the exception of the calculation of the breakpoint. The dollar amount in which percentage sales are then calculated is below the breakpoint calculation for Alameda Boatyard #2. This has resulted in Boatyard #2 paying a higher effective percentage rent. Since the renewal is subject to an existing lease clause that requires the calculation of "market rent", consideration was only given to the standard market calculation of determining the breakpoint for the Nelson Marine lease.

### **Adjustments in rental rate**

The Nelson Marine lease includes a fixed increase of 10% in the monthly rental every 5 years. The leases for Alameda Boatyards #1 and Alameda Boatyard #2 contain annual increases based upon the Consumer Price Index ("CPI").

The use of either a CPI or fixed rate calculation has no impact on determining the market rate. The fixed rate increase is a common means of calculating increases in industrial real estate. Further, the average of all local CPI increases over the last ten (10) years, as derived from the Bureau of Labor and Statistics, is **2.4%**. In fact, if one were to consider only the last few years, the recent CPI average would be even lower.

As mentioned previously, one of the primary considerations when negotiating this lease, was to provide the ARRA and the developer the flexibility to downsize the total yard space provided in the lease, as needed in the future, to facilitate and preserve future development plans. This lease provides for a 76,000 square foot or 41% potential reduction in space.

Therefore, given that the average annual increase of 2% (10% every 5 years) is within the range of current CPI increases, and given that this was contemplated as the trade-off for the ability to significantly downsize the space in the future (with no decrease in rental rate), it is our opinion that the 10% increase, as applied in this lease, is appropriate.

## **Lease Term**

The original proposed lease term for Nelson Marine was for 20 years. The Tenant requested this term in order to amortize the cost of improvements to the premises. Due to new discussions between the Developer and Nelson Marine about the future development plan, the proposed lease term has been reduced to 10 years.

Alameda Boatyard #1 was previously under a seven year lease and is currently operating under a lease with a term of 14 years and six months. The lease for Alameda Boatyard #2 is for a term of 10 years. Both Alameda Boatyard #1 and Alameda Boatyard #2 are leased from landlords who have developed the property as a boatyard operation, which includes the use of equipment. *Conversely, Nelson Marine, as the tenant, is undertaking the responsibility of putting the marine infrastructure in place. Please also note that the improvements are confirmed to be consistent with the long-term reuse of the property.*

In addition to the Nelson Marine lease, The City of Alameda has previously allowed for long-term leases on other marina sites. While Alameda Point has special considerations, 'long term' is generally considered any term of 10 years or greater. More specifically, the lease for Encinal Industries at Grand Marina and the lease for Encinal Industries at Fortman Marina were both for 25 years with 25-year options.

The lease term for Nelson Marine is appropriate given the specifics of the site and is common to other City of Alameda Boatyards.

## **Summary**

As indicated in our analysis, the lease for Nelson Marine is at the prevailing market rate, the rental increases are appropriate for this type of lease and the term is consistent with other Alameda Boatyards. Approval of the Nelson Marine lease is therefore recommended.

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# Dunn & Associates

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REAL ESTATE APPRAISERS AND CONSULTANTS

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RENTAL SURVEY

OF

**NELSON'S MARINE  
53,785 SQUARE FOOT WAREHOUSE  
ON A 4.29 ACRE SITE  
1500 Ferry Point  
Alameda, California**

For

Mr. Mike Hampen  
Property Manager  
PM Realty Group  
Real Estate Services  
2175 Monarch Street  
Alameda, California 94501

As of

June 10, 2004



June 11, 2004

04-05-52

Mr. Mike Hampen  
Property Manager  
PM Realty Group  
Real Estate Services  
2175 Monarch Street  
Alameda, California 94501

Re: NELSON'S MARINE  
53,785 SQUARE FOOT WAREHOUSE  
ON A 4.29 ACRE SITE  
1500 Ferry Point  
Alameda, California

Dear Mr. Hampen:

At your request and authorization, I have been requested to estimate the market rental rate for Nelson's Marine located at 1500 Ferry Point, in the City of Alameda, California. The subject improvements consist of a 53,785 square foot warehouse built-out with 19% office space on a 4.29 site indicating a site coverage of 26%. The office portion of the subject property is two-story and located on the west side of the property. In addition to the main structure, the leasable area includes a boat launch facility and a 400 linear feet of pier located across Ferry Point. The yard area is enclosed with a cyclone fence and is accessed from the northwest corner of the property facing West Oriskany. The subject is located on property which was previously the Alameda Naval Air Station at the northernmost point of the City of Alameda.

The purpose of the rental survey is to estimate the market rental rate of the subject property. The function of the rental survey is to assist in establishing the market rent for use by PM Realty Group for internal decision purposes.

**Identification:**

The subject improvements consist of a steel frame structure with a wood frame exterior warehouse with an approximate 32 foot clear height. The property is accessible by slide doors located on both the north and south sides of the building. There are windows located around the perimeter of the structure, which provide ample interior natural light. The structure is improved with a flat roof with composition cover which is assumed to be in average condition. The interior of the warehouse is improved with concrete floors, open beam ceilings with overhead sodium vapor lighting as well as skylights. The warehouse area is used for boat repair as well as a showroom

for newer, smaller vessels. The interior of the office space consists of painted sheetrock walls and ceilings with carpet flooring and overhead fluorescent lighting. There are restrooms on each floor of the office space. The improvements consist of 53,785 square feet consisting of 43,600 square feet of warehouse and 10,185 square feet of office space. The improvements cover 26% of the site and the improvements are built out with 19% of office space. The warehouse is accessed by side sliding doors which are atypical of the market and lack utility. The overall layout of the improvements is ideal with the two-story office space and warehouse at the rear which makes the property highly useable for an alternative user, for both single and multi-tenant occupancy.

**Ownership:** United States of America

**Alameda County**

**Assessor's Parcel No.:** 074-0891-001

**Zoning:** M2/G, Industrial Manufacturing-Government

**Improvement Size:** 53,785 square feet

**Area Data:** The subject property is located at the southwest corner of Ferry Point and West Oriskany in the old Alameda Naval Air Station area of the City of Alameda. The City of Alameda is located approximately fifteen miles southeast of San Francisco, between the San Francisco Bay and San Leandro Bay. The city encompasses 12.4 square miles and had a population of 74,400 as of January 1, 2004, making it the eighth largest city in the county. Over the last 22 years, the city has experienced moderate growth. Census and State Department of Finance figures indicate that the city's population increased by 11,148 from 1980 to 2004, an increase of 0.64% per year on an average annual rate. Reasons for this relatively low growth rate include the city's limited availability of land for potential development for residential uses.

According to the Alameda Chamber of Commerce, there are approximately 28,000 of jobs in the City of Alameda. The local economy is dominated by service sector jobs with manufacturing employers leading all employment sectors. Some of the largest employers in the City of Alameda include Ascend Communications with 620 employees, the Alameda Hospital with 456 employees, Alameda Unified School District with 446 employees, City of Alameda with 718 employees and Wind River Systems with 282 employees. Other major employers in the City of Alameda include Faralon Computing, Weyerhouser Company, Roach Molecular Systems, Cybex, Kaiser Foundation, Lucky Stores and Intrepid Systems.

Transportation systems near the City of Alameda include Highways 580 and 880 to the west in the City of Oakland. These highways provide access throughout Alameda County in the north/south direction. In addition to the freeway service, air transportation is available at the Oakland International Airport and approximately 30 miles west at the San Francisco International Airport.

In general, expectations for the City of Alameda are that the city will continue to experience slow growth and be reasonably well supported by a diversified economic base. The city's centralized location and well educated population in close proximity to the major employment hubs of the cities of Oakland and San Francisco has enhanced the attractiveness of the city as a residential community.

**PROPERTY DESCRIPTION****Site Description:**

**Location:** 1500 Ferry Point  
Alameda, California

**Site:** 4.29 acres, or 187,000 square feet

**Shape:** Rectangular

**Topography:** Level

**Utilities:** All standard utilities are available to the site, delivered above and underground by the following:

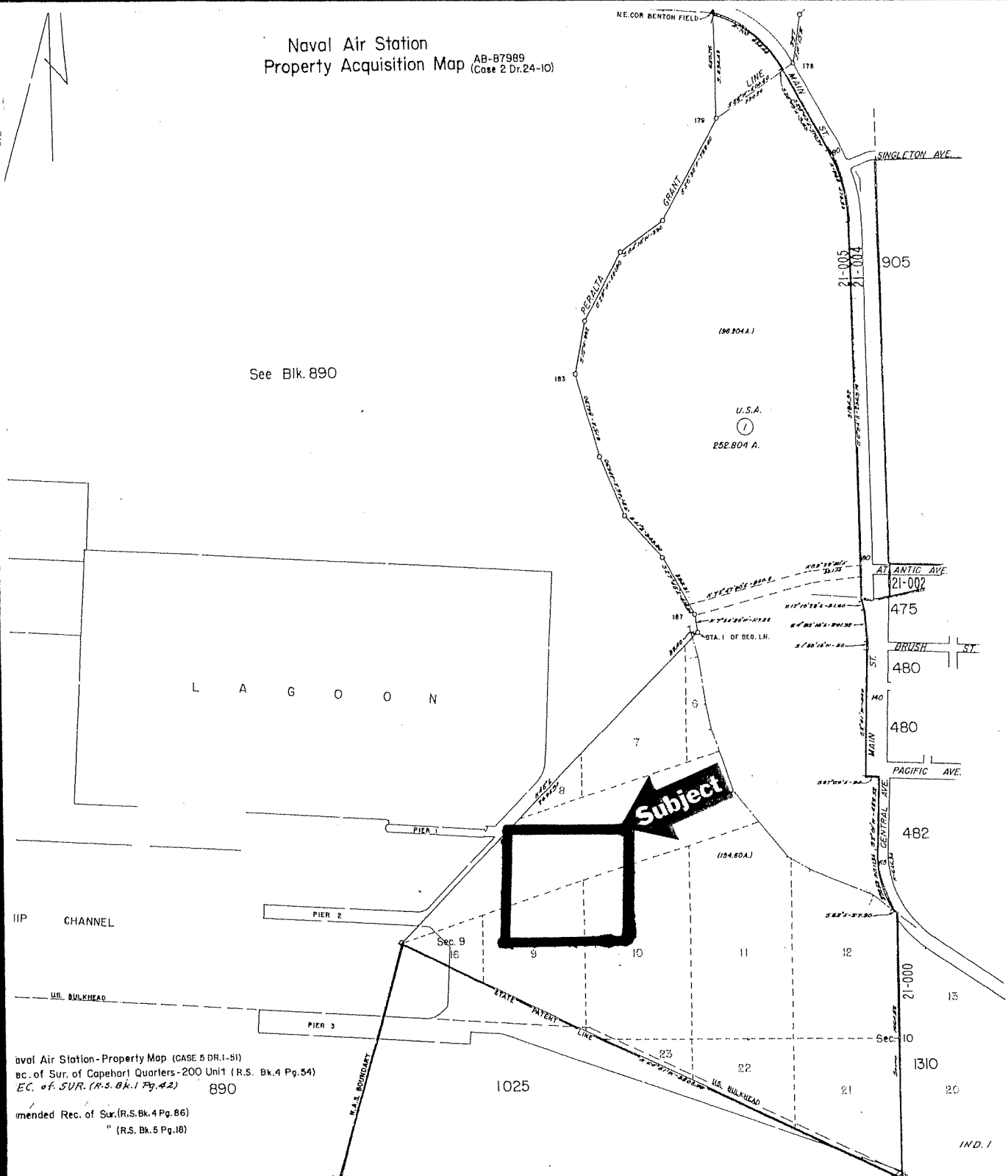
<u>Utility</u>	<u>Provider</u>
Electricity	Alameda Power and Telecom
Gas	Alameda Power and Telecom
Water	East Bay Municipal Utility District
Sewer	City of Alameda
Telephone	AT&T
Police	City of Alameda
Fire	City of Alameda

**Street**

**Improvements:** The subject property is located at the southwest corner of Ferry Point and West Oriskany Avenue in the Alameda Naval Station, across from Piers 2 and 3, which is the docking location of the USS Hornet. Both streets consist of two lanes of traffic, one in each direction. The streets are asphalt paved and have no concrete curbs, gutters nor sidewalks.

Naval Air Station  
Property Acquisition Map (AB-87989  
Case 2 Dr.24-10)

See Blk. 890



Naval Air Station-Property Map (CASE 5 DR.1-51)  
Rec. of Sur. of Capehart Quarters-200 Unit (R.S. Bk.4 Pg.54)  
EC. of SUR. (R.S. Bk.1 Pg.42) 890  
Amended Rec. of Sur.(R.S.Bk.4 Pg.86)  
" (R.S. Bk.5 Pg.10)

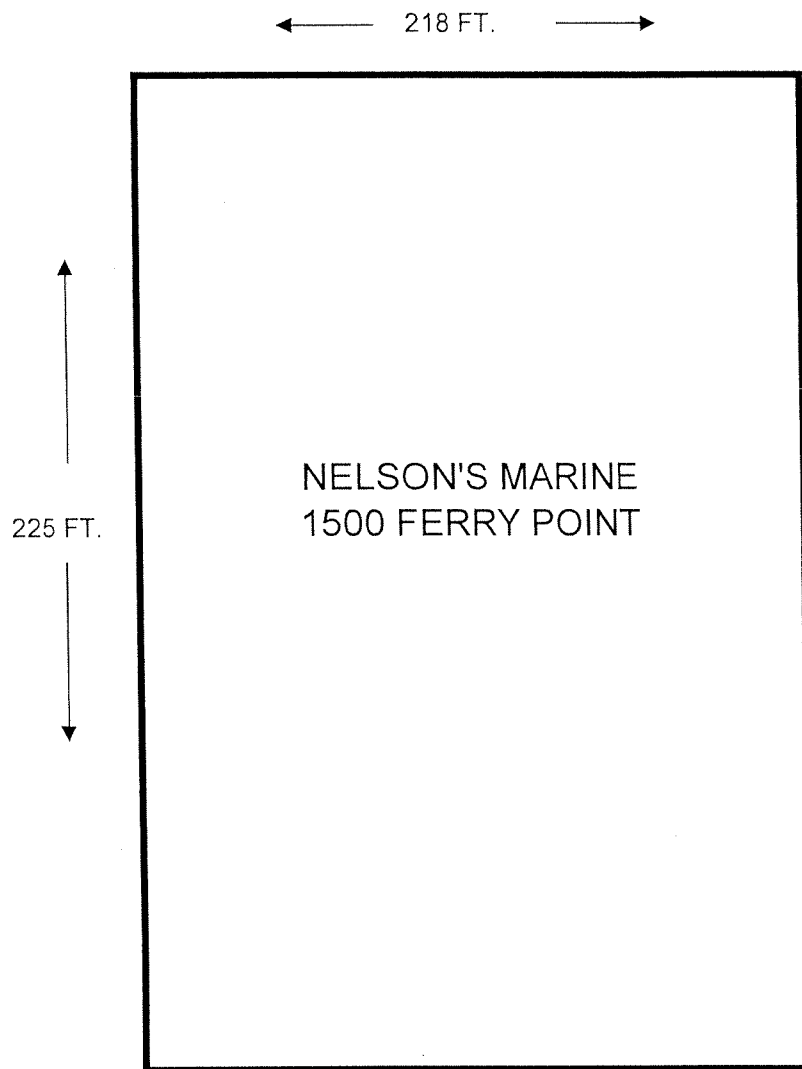
**Plat Map**

**Site**

**Improvements:** The uncovered portion of the site consists of asphalt and concrete paved yard area which is enclosed by a cyclone fence.

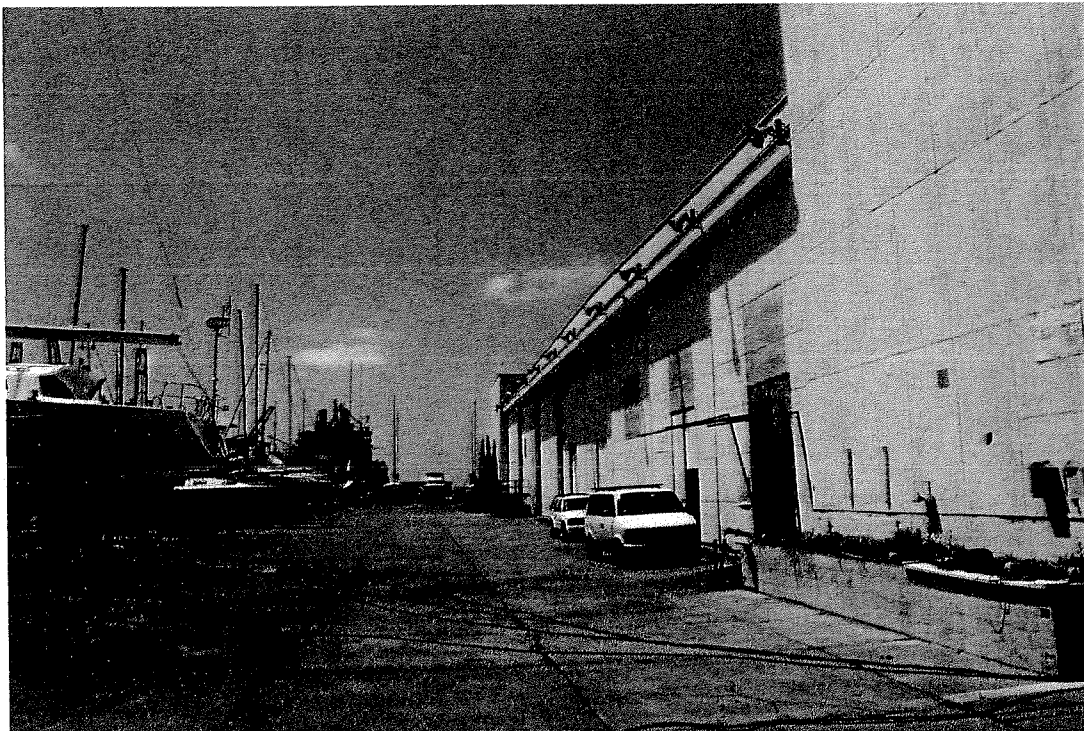
**Building Description:** The subject improvements consist of a steel frame structure with a wood frame exterior warehouse with an approximate 32 foot clear height. The property is accessible by slide doors located around the perimeter of the structure. There are windows located on the west and east sides of the warehouse as well as along the two story office space consisting of single pane windows which provide ample interior natural light. The structure is improved with a flat roof with composition cover which is assumed to be in average condition. The interior of the warehouse is improved with concrete floors, open beam ceilings with overhead sodium vapor lighting as well as skylights. The warehouse area is used for boat repair as well as a showroom for newer, smaller vessels. The interior of the office space consists of painted sheetrock walls and ceilings with carpet flooring and overhead fluorescent lighting. There are restrooms on each floor of the office space. The improvements consist of 53,785 square feet consisting of 43,600 square feet of warehouse and 10,185 square feet of office space. The improvements cover 26% of the site and the improvements are built out with 19% of office space. The warehouse is accessed by side sliding doors which are atypical of the market and lack utility. The overall layout of the improvements is ideal with the two-story office space and warehouse at the rear which makes the property highly useable for an alternative user, for both single and multi-tenant occupancy.

**Condition/Utility:** The subject property was built in 1960 and has an actual age of 44 years old. The structure is somewhat atypical of the market compared to other warehouse buildings that are generally equipped with overhead grade level doors. In addition, most competing warehouse space is either concrete tilt up or metal exterior. Overall, the subject property is considered to be in average condition.

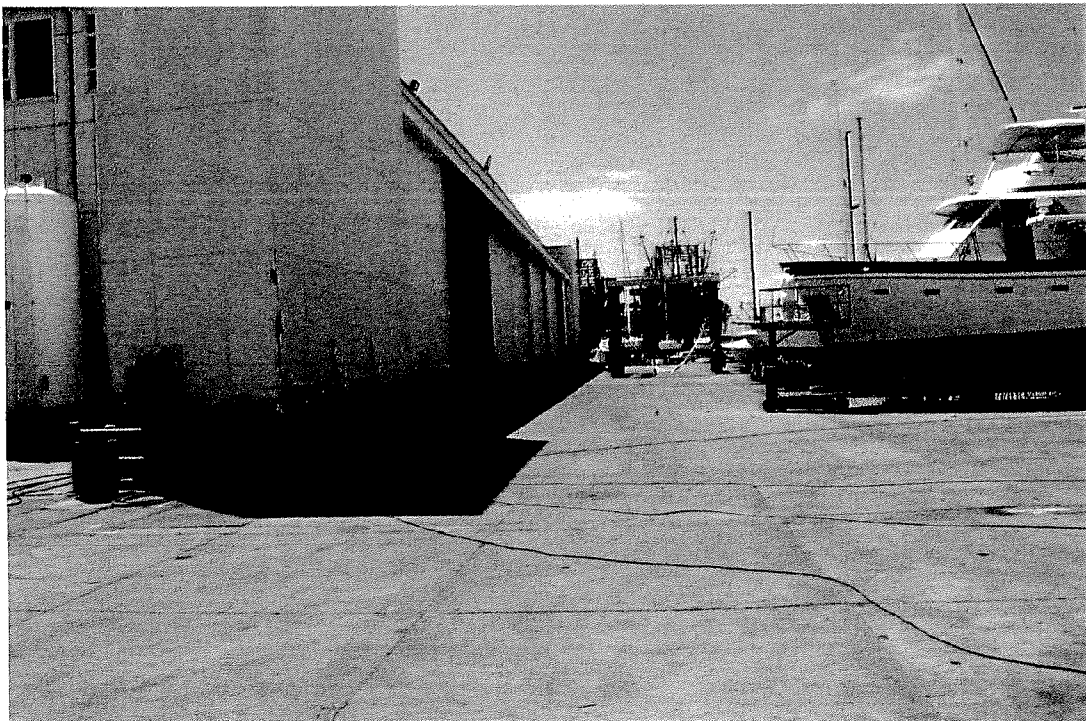


BUILDING DIAGRAM

DUNN & ASSOCIATES



**VIEW OF SUBJECT PROPERTY LOOKING SOUTH ACROSS THE INTERSECTION  
OF FERRY POINT AND WEST ORISKANY (PHOTO NO. 1)**

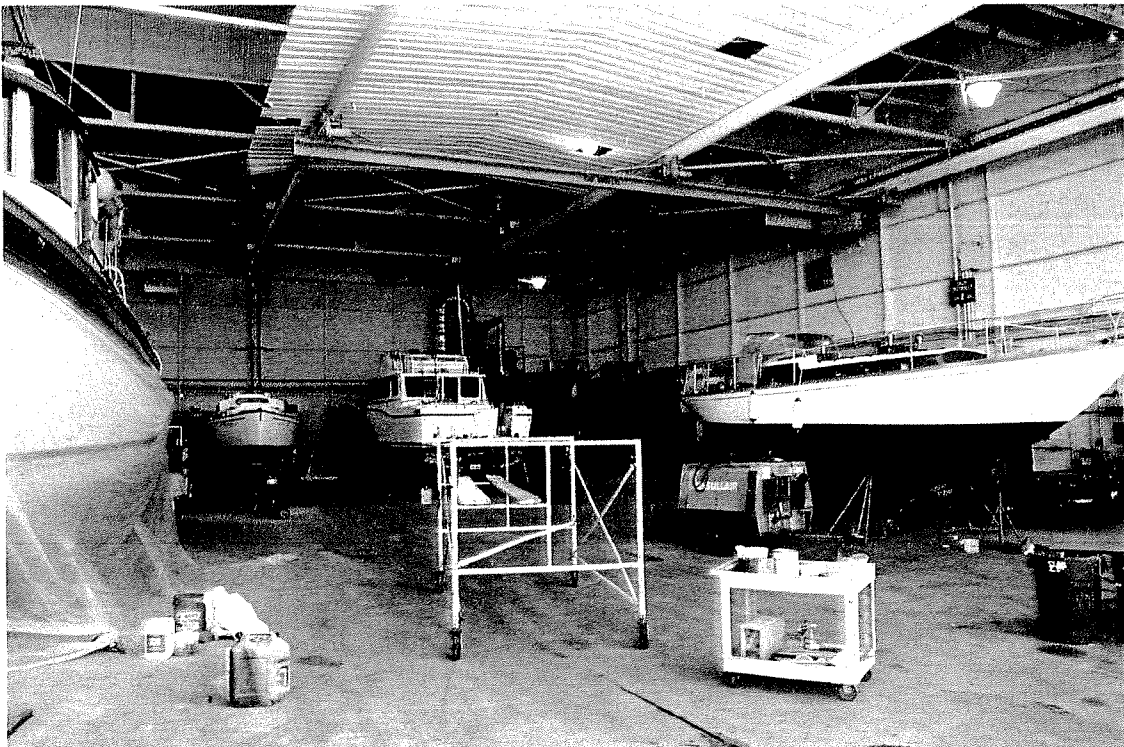


**VIEW OF SOUTH SIDE OF SUBJECT PROPERTY LOOKING WEST  
(PHOTO NO. 2)**





**VIEW OF EAST SIDE SUBJECT PROPERTY LOOKING NORTH  
(PHOTO NO. 3)**



**INTERIOR VIEW OF WAREHOUSE SPACE  
USED FOR BOAT REPAIR (PHOTO NO. 4)**



**INTERIOR VIEW OF WAREHOUSE AREA  
USED FOR BOAT SALES (PHOTO NO. 5)**



**VIEW OF LAUNCHING RAMP  
ACROSS FERRY POINT (PHOTO NO. 6)**



**VIEW OF 400 FEET OF PIER AREA ACROSS FERRY POINT  
(PHOTO NO. 7)**



**INTERIOR VIEW OF OFFICE SPACE  
(PHOTO NO. 8)**

**DUNN & ASSOCIATES**

**Zoning:**

According to Dave Valeskas, in charge of federal facilities, the subject property is zoned M2/G, Industrial Manufacturing/Government. Permitted uses under the general industrial zoning include box and cooperage manufacturing, breweries, cork production manufacturing, dye casting, electrical equipment manufacturing, foundries, furniture manufacturing, and other manufacturing uses. According to Mr. Valeskas, there are no anticipated changes negatively impacting the subject property.

## **VALUATION**

In order to estimate the market rental rate for the subject property I have obtained rental information from both recently executed industrial leases in the subject's market, as well as boat yard lease comparables throughout the Bay Area. I will first analyze the industrial lease comparables followed by the boat yard lease comparables.

### **Industrial Lease Comparables**

I have obtained eight recently executed lease comparables which range in size from 20,000 to 233,640 square feet, reflecting an unadjusted rental rate range of \$0.20 to \$0.26 per square foot on a triple net expense basis. The comparables are summarized on the following page. The comparables reflect office build-outs ranging from 1.8% to 5.7% and were leased with no tenant improvements. The comparables reflect site coverages ratios ranging from 9% to 30%. The comparable leases were executed on terms ranging from 26 months to 120 months. All of the comparable leases were executed within the last 12 months under similar market conditions. All of the comparable leases represent arms-length transactions and warrant no adjustments. The real estate market for industrial space over the last 12 months has been fairly consistent, and all of the comparable leases were executed within this time frame, and warranting no adjustment for market conditions (time). Typical tenant improvements for industrial space within the subject market consists of no contribution by the lessor. None of the comparables were granted tenant improvements therefore warrant no adjustment.

As previously indicated, the comparable leases reflect office build-outs ranging from 1.8% to 5.7%. All of the comparables have an inferior office build-out to the subject property, therefore warranting upward adjustments. The comparables reflect site coverages ranging from 9% to 30%. The subject property as a site coverage of 29%. Comparable Nos. 1, 4 and 6 reflect site coverages ranging from 30% to 30.3% which is similar to the subject property and warrant no adjustments. Comparable Nos. 2, and 5 reflect site coverages, of 20.4% and 8.7%, respectfully, therefore warranting downward adjustments. Comparable No. 3 has an estimated site coverage of 80% which is inferior to the subject property, therefore warranting an upward adjustment.

# COMPARABLE INDUSTRIAL LEASES

Oakland, California

NO.	LOCATION TENANT	DATE	TERM (MONTHS)	SIZE (SF)	STARTING RENT/SF ESCALATION	EXPENSE BASIS	COVERAGE	TTS/SF
1.	804 Maritime Street Penn Logistics	3/04	26	46,728 2.14%	\$0.24	NNN	est. 30%	None
2.	4901 12 <sup>th</sup> Street E. Citicom	2/04	60	32,000 2.5	\$0.23	NNN	20.4%	None
3.	1907 Dennison Street Evolution Furniture	11/03	60	28,000 5.7%	\$0.26	NNN	est. 80%	None
4.	700 Independent Rd. Eagle Bay	11/03	24	66,000 1.8%	\$0.20	NNN	30.3%	None
5.	5601 San Leandro Street Xyan Printing	11/03	60	20,00 4.0%	\$0.25	NNN	8.7%	None
6.	802 Maritime Street Gold Coast Warehouse	6/03	36	233,640 1.0%	\$0.16	NNN	est. 30%	None

This analysis estimates the industrial rent of the subject warehouse, including the amenity of its boat launch facility and pier rights. After adjusting the comparable leases for their various differences in comparison to the subject property, I have concluded with an adjusted rental rate range of \$0.30 to \$0.35 per square foot on a triple net expense basis. In consideration of the subject property's size, average location on the naval air station in the City of Alameda, age and average condition of the improvements, 29% site coverage, 19% office build-out, 32 foot clear height and overall site utility, I have concluded with a rental rate in the higher end of the adjusted range, or \$0.35 per square foot.

Therefore, the estimated market rental rate based on the industrial lease comparable, as of June 10, 2004 is:

$$53,785 \text{ square feet} \quad \times \quad \$0.35 \quad = \quad \$18,825 \text{ per month}$$

### **Boatyard Lease Comps**

As previously stated, I have also analyzed boatyard lease comparables from the Bay Area in order to estimate the market rental rate for Nelson's Marine as reflected on the following page. The comparable leases of the boat yards are atypical of the market given that they are generally current rental rates and the details of the leases were difficult to obtain and were confirmed when possible by both the lessee and the lessor.

**Comparable Lease No. 1**, the Berkeley Marine Center is a 50 year lease that started in 1978 and expires in 2028. The tenant is currently paying \$1,700 per month versus 5% of gross sales. This lease is adjusted every five years and in addition has a percentage sale of 2.5% on alcohol sales. This is a triple net lease. The property consists of 4.5 acres and is a ground lease which has been improved with approximately 8,000 square feet of improvements. This lease was confirmed by Cliff Marchetti with the City of Berkeley. This comparable has fair access and is in average condition.

**Comparable Lease No. 2** is Svendsen Marine located in Alameda, California. This represents a twelve year lease which commenced in 2001 and expires in 2013. The tenant is currently paying \$31,065 per month for a 1.78 acre yard and 26,000 square feet of improvements plus an additional \$1,531 per month for nine slips, indicating a total rent of \$32,596 per month. This is a gross lease with lessor paying taxes, insurance and maintenance. This lease was confirmed by Sean Svendsen, operator. This comparable has average access and is in good condition.

**Comparable Lease No. 3** is the Mariner Boat Yard located at 2021 Alaska Packer Place in Alameda, California. I was informed by Rochella, the operator's assistant, that the improvements consist of one shop and three offices estimated area of 20,000 square feet. The property is leased for 6% of gross sales plus \$14,000 per month. She was unable to provide any other details on this lease. We have pulled county records to indicate that this site is 1.6 acres. This comparable has fair access and is in average condition.

**Comparable Lease No. 4** is the San Francisco Boat Works leased by Mike Denmen from the Port of San Francisco. According to Rich Ravetti, representative with the Port of San Francisco, this is a 20 year lease that began in 1987. It is a triple net lease with the tenant paying \$10,000 per month versus 8% of alcohol, and bar sales, 6% of food sales, 20% of boat storage, 10% of any sub-leasing and 10% of all other uses. There are adjustments every five years on this lease. The operator, Mr. Mike Denmen, indicates that he is in overage rent 9 out of 12 months per year. This comparable has good access and is in average condition.



# BOATYARD LEASE COMPARABLES

## Alameda and Berkeley, California

NO.	LOCATION TENANT	TERM (MONTHS)	RENT	EXPENSES	DETAIL
1.	Berkeley Marine Center 1 Spinnaker Way Berkeley, California	50 Year Lease 1978-2028	\$1,700/mo. vs. 5% of gross sales Adjusted every 5 years 2.5% based on sales	NNN	4.5 Acres, ground lease approx. 8,000 sf building Direct water access <i>Confirmed: Cliff Marchette, City of Berkeley</i>
2.	Svendsen Marine 1851 Clement Ave. Alameda, California	2001-2013 14,000 sf structure and land 2000-2005 2 small buildings	\$31,065/month Slips \$1,531/month Total \$32,596/month Escalations: Annual CPI	Taxes - Lessor Insurance - Lessor Maintenance - Lessor	1.7 Acre yard 26,000 sf Buildings Direct water access 9 Slips (\$1,531/month) <i>Confirmed: Sean Svendsen, Operator</i>
3.	Mariner Boat Yard 2021 Alaska Packer Place Alameda, California	Not Available	6% of gross sales plus \$14,000/month for land	NNN	est. 1.6 Acres est. 20,000 sf building Direct water access <i>Confirmed: Rochella, assistant</i>
4.	SF Boat Works 835 China Basin Street San Francisco, California	20 Year lease	\$10,000/Month verses 8% alcohol and bar sales, 6% food sales, 20% boat storage, 10% sub-leases, 10% all others	NNN	est. 4.0 acres est. 7,000 sf building Direct water access Boat yard and Restaurant <i>Confirmed: Mike Denmen, operator and Rich Ravetti, Port of S.F.</i>
5.	Westmore Marine 145 Third St. San Rafael, California	Short Term 3 Years	Monthly rent Annual escalations	NNN	Facility Handles 9 Dry Dock Boats Direct water access 2-3 Boats in water est. 4,000 sf building <i>Confirmed: Phil Westcott, Operator</i>
6.	BaySide Boat Works 2360 Marinship Way Sausalito, California	Month/Month	Monthly rent Annual escalations	NNN	Facility Handles 9 Dry Dock Boats Minimal Improvements Direct water access 2-3 boats in water <i>Confirmed: Mike Winder, operator</i>
7.	Anderson's Boatyard 400 Harbor Drive Sausalito, California	Short Term	Monthly Rent	NNN	2-3 acres est. 6,000 sf improvements Direct water access <i>Confirmed: Ron Anderson, operator</i>

In addition to the four boatyard lease comparables, I was able to obtain general information on three other boat yards within the Bay Area.

According to Phil Westcott, the operator of Westmore Marine located at 145 Third Street in San Rafael, he is currently paying a monthly rental rate with annual escalations. He has room for nine boats for dry dock and two to three boats in the water. He has direct water access and a small shop area. This boatyard has good access and is in average condition.

Bayside Boat Works located at 2360 MarinShip Way, Sausalito, California is on a month-to-month lease with annual escalations. This facility has room for eight to ten boats for dry dock and two to three boats in the water and has minimal shop space. This lease was confirmed by Mike Winder, operator. This boat yard has average access and is in fair condition.

According to Ron Anderson, operator for Anderson's Boatyard, he is currently leasing his facility on a short term lease. Mr. Anderson is paying a monthly triple net rent. This boat yard has average access and is in good condition.

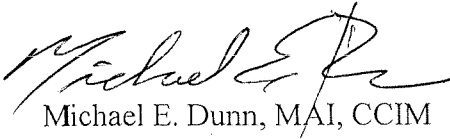
In general, three of the comparable boatyard comparable leases were leases on a percentage rent and four were leased on a base monthly rent basis.

Given that the subject property consists of a 53,785 square foot warehouse built-out with 19% office space with a 26% site coverage, its average location, average condition, indirect access to the water, and use of 400 linear feet of pier area. I have concluded with a base rent of \$0.35 per square foot, or \$18,825 per month versus a percentage rent of 6% of all annual gross sales based on a typical lease term of ten years. Assuming a 10% escalation in the 61st month of the lease. This is a triple net lease with the lessee paying all expenses.

If major improvements were required, which would be necessary for the lessee to amortize the improvements over the term of the lease, a longer lease would be considered. I do not see that there were any major improvements necessary for the current operation.

Respectfully submitted,

**DUNN & ASSOCIATES**

A handwritten signature in black ink, appearing to read "Michael E. Dunn", with a stylized flourish at the end.

Michael E. Dunn, MAI, CCIM

Certified General Real Estate Appraiser

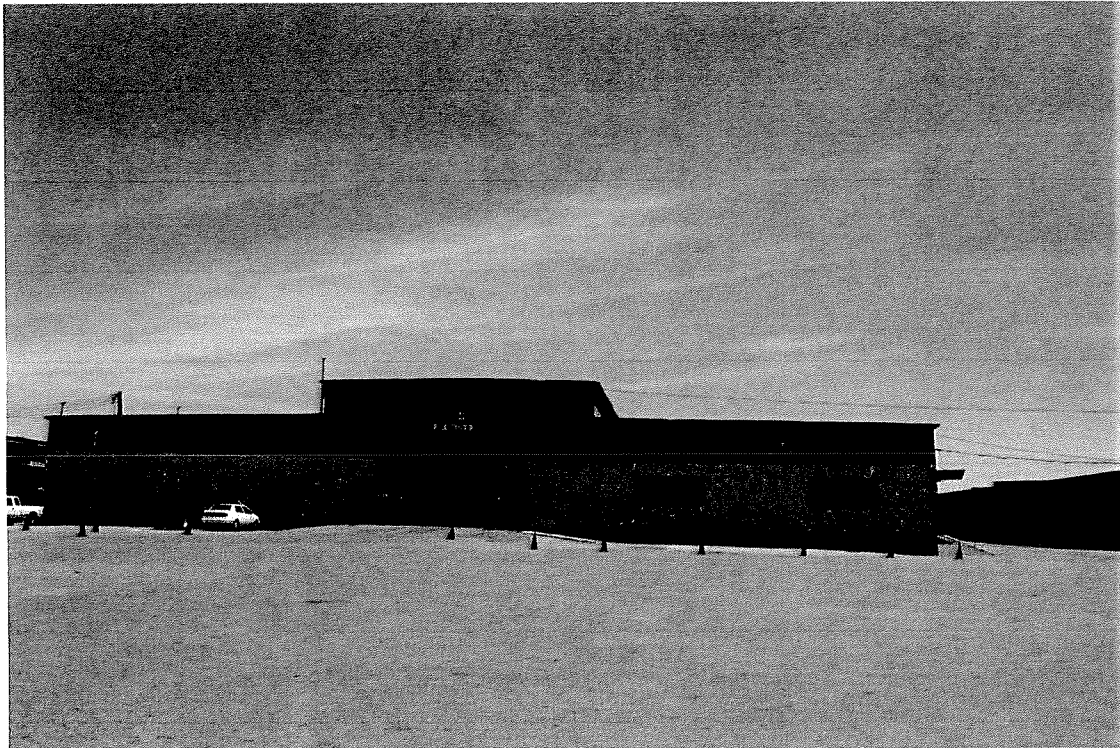
State of California #AG002882

## **ADDENDUM**

- Exhibit A. Photographs of Comparable Industrial Leases
- Exhibit B. Photographs of Comparable Boatyard Leases
- Exhibit C. Engagement Letter
- Exhibit D. Zoning Ordinance
- Exhibit E. Qualifications

## **EXHIBIT A**

**PHOTOGRAPHS OF COMPARABLE INDUSTRIAL LEASES**



**PHOTO OF COMPARABLE LEASE NO. 1**



**PHOTO OF COMPARABLE LEASE NO. 2**



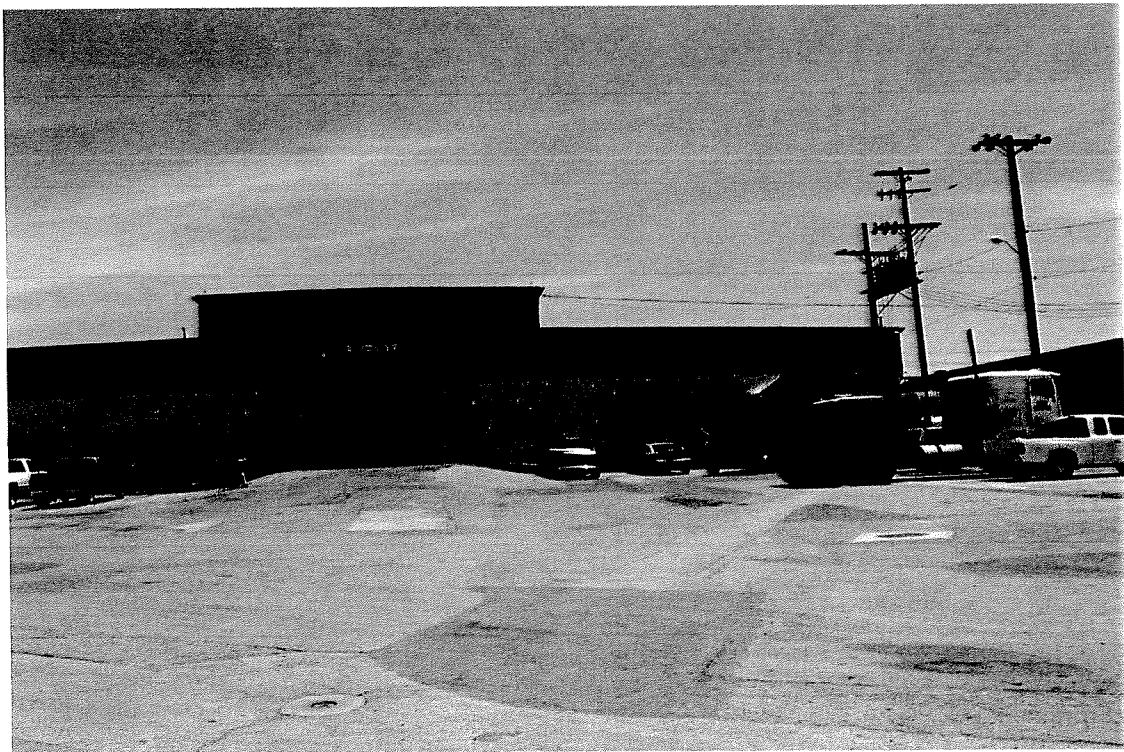
**PHOTO OF COMPARABLE LEASE NO. 3**



**PHOTO OF COMPARABLE LEASE NO. 4**



**PHOTO OF COMPARABLE LEASE NO. 5**

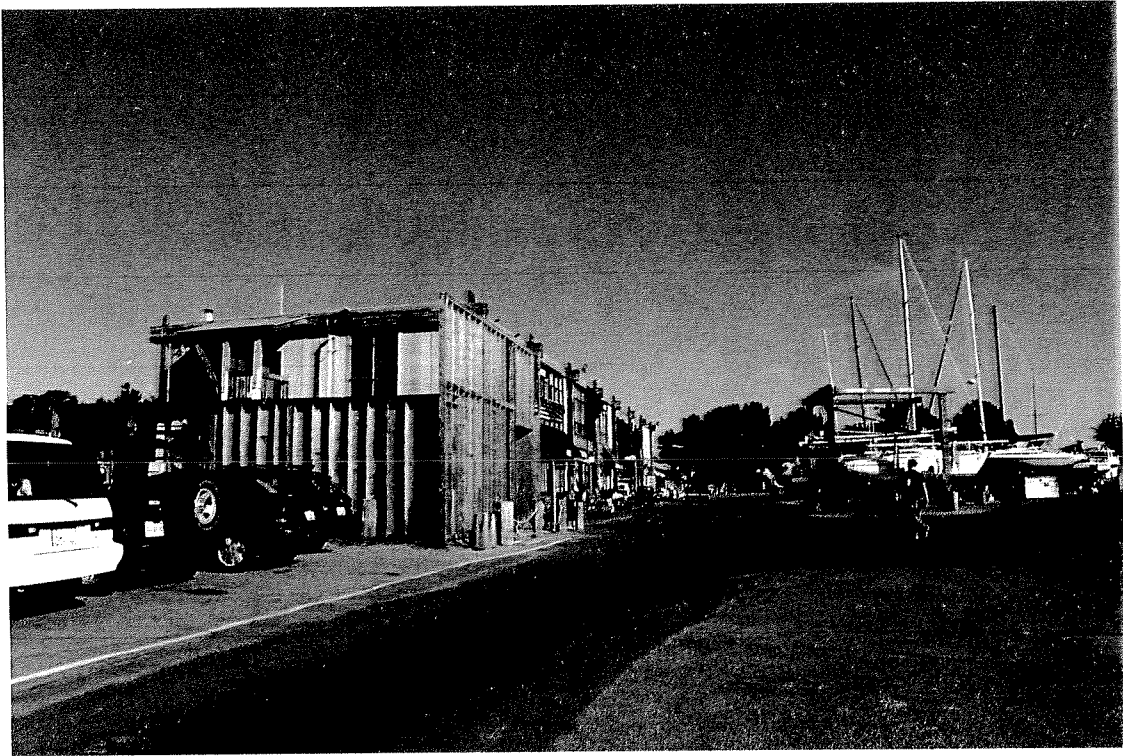


**PHOTO OF COMPARABLE LEASE NO. 6**



## **EXHIBIT B**

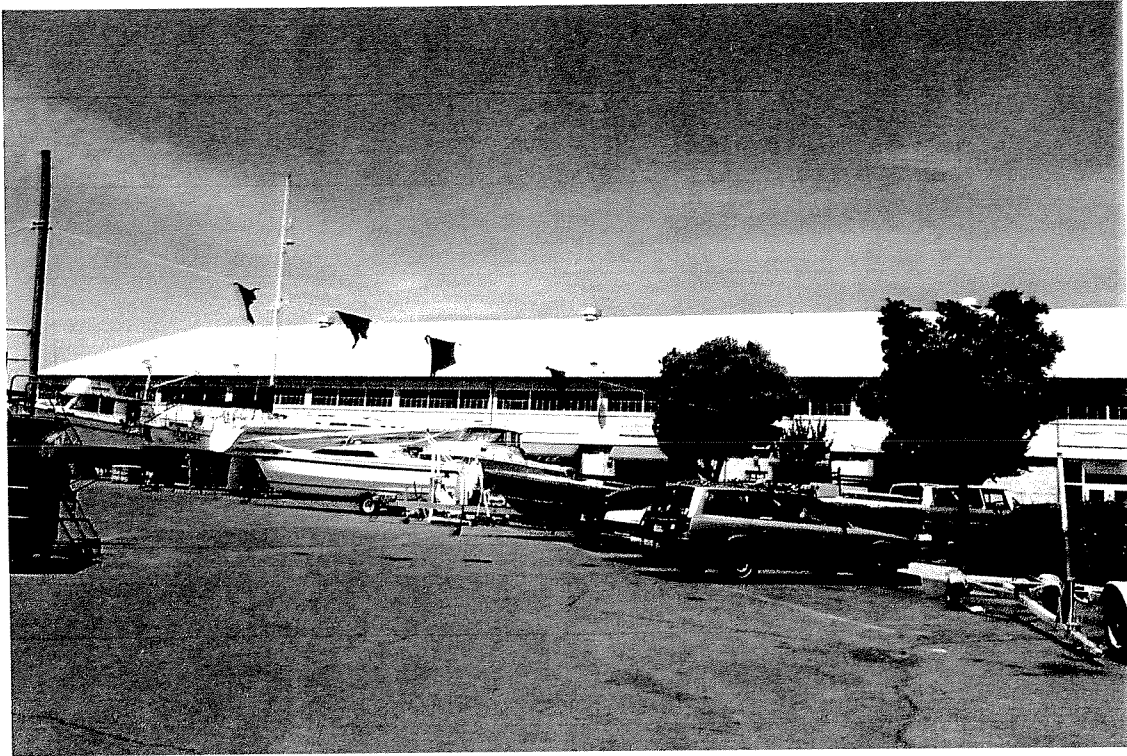
**PHOTOGRAPHS OF COMPARABLE BOATYARD LEASES**



**PHOTO OF COMPARABLE LEASE NO. 1**



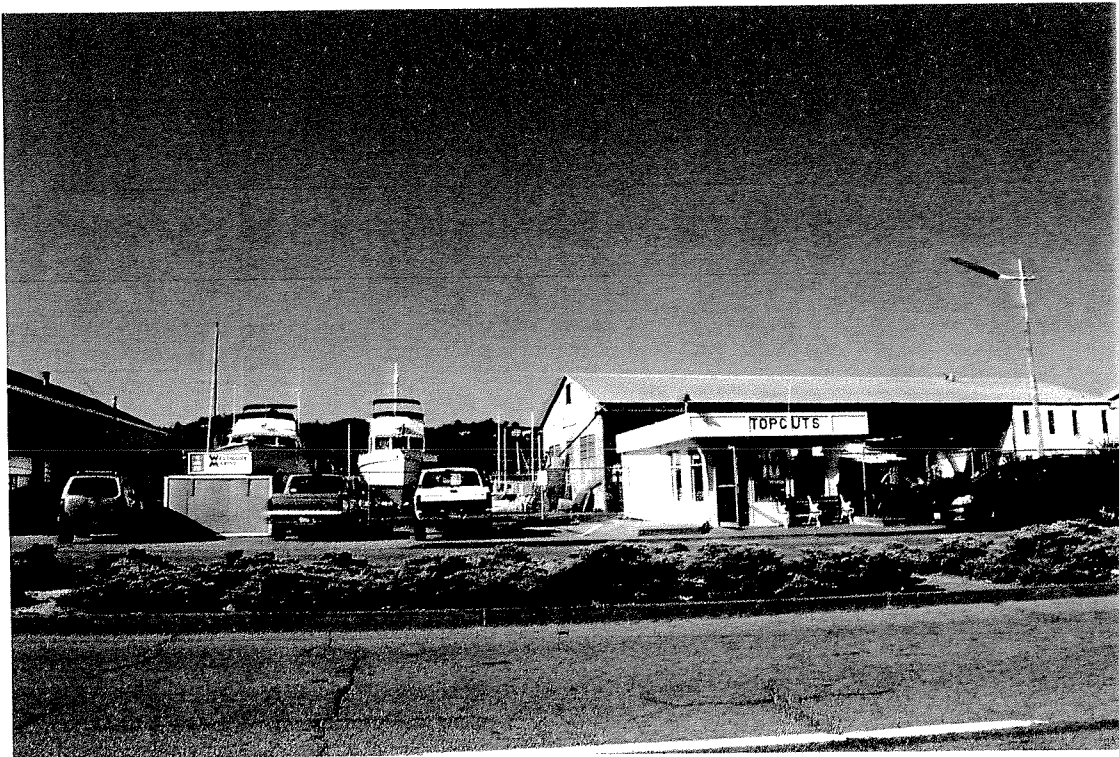
**PHOTO OF COMPARABLE LEASE NO. 2**



**PHOTO OF COMPARABLE LEASE NO. 3**



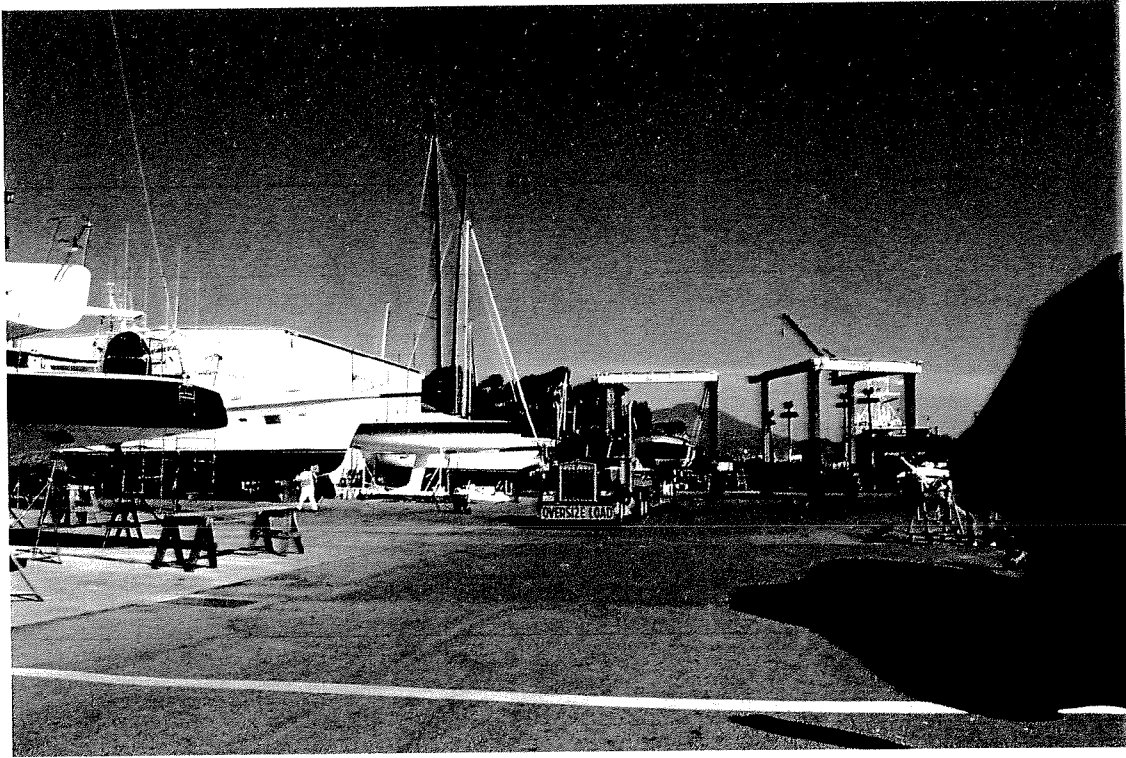
**PHOTO OF COMPARABLE LEASE NO. 4**



**PHOTO OF COMPARABLE LEASE NO. 5**



**PHOTO OF COMPARABLE LEASE NO. 6**



**PHOTO OF COMPARABLE LEASE NO. 7**

## **EXHIBIT C**

**PM Realty Group**  
REAL ESTATE SERVICES

May 13, 2004

Mike Dunn  
Dunn & Associates  
1657 N. California Blvd., Ste 208  
Walnut Creek, CA 94596

Dear Mr. Dunn:

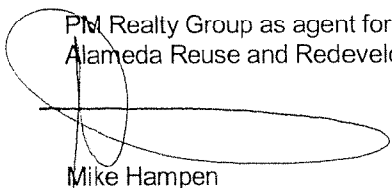
This letter will confirm the telephone conversation between David Jaber, Regional Vice President PM Realty Group, and yourself held Tuesday, May 11, 2004, to engage your company to conduct an MAI appraisal of lease rates at Nelson's Marine located at 1500 Ferry Point, Alameda, CA 94501.

The scope of work to be provided is a current market rate lease appraisal of the above building, the surrounding yard area and associated private marina space. Once begun, the appraisal shall be conducted and a report prepared in a three (3) week time frame. The agreed upon cost for this work is Four Thousand and No/100ths Dollars (\$4,000). Please signify your agreement to the terms described herein by affixing your signature below and returning to my office at 2175 Monarch St., Alameda, CA 94501, Attention: Mike Hampen.

If you have any questions, please contact me by telephone at (510) 749-0304 or by electronic mail at [mhampen@pmrealtygroup.com](mailto:mhampen@pmrealtygroup.com).

Sincerely,

PM Realty Group as agent for  
Alameda Reuse and Redevelopment Authority



Mike Hampen  
Property Manager

I hereby agree to the terms described herein.



Mike Dunn

2175 MONARCH STREET ALAMEDA, CA 94501 510/749-0304 FAX: 510/749-1095

HOUSTON LOS ANGELES CHICAGO SAN FRANCISCO ATLANTA DALLAS DENVER DETROIT ORLANDO PHOENIX NEW YORK  
HONOLULU NEWPORT BEACH WASHINGTON DC CINCINNATI SEATTLE LAS VEGAS

[pmrealtygroup.com](http://pmrealtygroup.com)

## **EXHIBIT D**



[http://www.ci.alameda.ca.us/gov/municipal\\_code.html](http://www.ci.alameda.ca.us/gov/municipal_code.html) Chapter 30, Section 30-4

**Subsection 30-4-17 G, Special Government Combining District.**

a. *General.* The G District classification shall be combined with the district classifications applied to all lands in the ownership of the U.S. Government or the State of California.

b. Prior to the use of any lands by any private or public entity other than the United States or State of California, through purchase or pursuant to lease from the U.S. Government or State of California, rezoning procedures shall be completed to remove the G classifications and to consider further appropriate district classification changes.

c. Notwithstanding the provisions in subsection (b) herein, interim uses by private or public entities other than the United States or State of California of lands owned by the U.S. Government or State of California may be allowed, subject to a Use Permit, pursuant to subsection 30-21.3, if the following additional findings can be made:

1. The interim use is approved for a limited time, not to exceed the maximum time frame set forth in the interim leasing program criteria;

2. The interim use utilizes existing facilities and does not require substantial new development;

3. The interim use will not disrupt on-going operations of the governmental entity should the interim use occur concurrent with continuing operations by a governmental entity;

4. The interim use will not be detrimental to the ultimate redevelopment of the property or the potential resumption of use of the property by the governmental agency; and

5. The interim use is consistent with an interim leasing program adopted by the City.

d. An interim leasing program shall be adopted by the City prior to interim use, as provided in subsection (c) herein. The interim leasing program shall be for a specific parcel or parcels, shall specify permitted land uses, consistent with the underlying zoning district, and shall specify the maximum time frame for which a Use Permit may be granted. In the absence of an adopted interim leasing program, all interim leases shall require rezoning. (Ord. No. 2658 N.S. §1: Ord. No. 535 N.S. §11-1374; Ord. No. 1277 N.S.)

Post-It® Fax Note 7671		Date 5/26/04	# of pages 3
To IRENE		From CITY OF ALAMEDA	
Co./Dept.		Co.	
Phone #		Phone # 747-6850	
Fax # 925.472.5855		Fax #	

[http://www.ci.alameda.ca.us/gov/municipal\\_code.html](http://www.ci.alameda.ca.us/gov/municipal_code.html) Chapter 30, Section 30-4

**Subsection 30-4-12 M-2, General Industrial (Manu-facturing) District.**

a. *General.* The following specific regulations and the general rules set forth in Section 30-5 shall apply in all M-2 Districts as delineated and described in the zoning map(s). It is intended that this district classification be applied in areas suitable for the least restricted use of land within the City and that the restrictions applied shall be those necessary for the public health, safety and general welfare.

b. *Uses Permitted.*

1. Any use as permitted and regulated in the M-1 District.

2. The following and similar uses from which noise, smoke, dust, noxious fumes and gasses, glare, heat and vibration are confined within the premises or held to volumes, intensities and levels at the perimeters of individual properties which are no greater than those in the general area, and in which disposal of all waste matter and material is in conformity with local and State standards and regulations, and in which all operations are conducted principally within buildings, except that other operations will be permitted within enclosures under conditions consistent with the intent of this article if approved by the Planning Board.

- (a) Box or cooperage manufacturing,
- (b) Breweries,
- (c) Cork products manufacturing,
- (d) Die casting,
- (e) Electrical Equipment manufacturing, including heavy motors (one (1) horsepower and over), switch gear, transformers, turbines and similar items,
- (f) Enameling works, including ferrous enamel, panels, cast iron or pressed steel, sanitary ware and similar items,
- (g) Foundries - ferrous and nonferrous,
- (h) Furniture (wood or metal) manufacturing,
- (i) Match manufacturing (safety machines only),
- (j) Metal products manufacturing or processing, structural, fabricated,
- (k) Metal shipping drum, barrel manufacturing,
- (l) Paperboard container product manufacturing and processing,
- (m) Pickle or vinegar manufacturing,
- (n) Pipe and pipe fitting manufacturing,
- (o) Planing mill,
- (p) Plumbing fixture manufacturing,
- (q) Poultry or rabbit killing and dressing,
- (r) Prefabricated houses or wood structural member manufacturing,
- (s) Textile manufacturing, including canvas, cloth and similar items,
- (t) Tool manufacturing - machine, hand,
- (u) Transportation equipment manufacturing,
- (v) Wood preservation processing,
- (w) Trash Transfer Station. Hours of operation limited from 8:00 a.m. to 5:00 p.m. Trash burning or storage of hazardous materials is prohibited.

3. Uses customarily incidental to any of the above uses when located on the same premises, including an attached or detached residence for an on-premises watchperson or manager and his or her family, subject to provision of two hundred forty (240) square feet of private useable open space immediately adjacent to and accessible from the residence. Open storage of materials and equipment shall be permitted only within an area enclosed on all sides with a solid or open grill type wall, or a chain link fence and gates, all not less than six (6') feet in height and in a manner consistent with the intent of the section except that no wall or fence shall be required on the side that a property abuts a railroad right-of-way, the Estuary or U.S. Tidal Canal. A solid wall or fence not less than six (6') feet high shall be required where the proposed use adjoins property in an R District.

4. Signs: Those pertaining to the permitted and accessory uses on the property, poster panels and painted bulletins, all as regulated further in Section 30-6 of these regulations.

c. *Uses Requiring Use Permits.* It is the intent of this paragraph that the following uses shall be reviewed by the Planning Board for their appropriateness in a specific location, or for such other factors as safety, congestion, noise, and similar considerations.

1. Auto wrecking yards,
2. Outdoor amusements,
3. Veterinary clinics and/or veterinary hospitals upon the same terms and conditions set out in subsection 30-4.10c,
4. Any existing dwelling use as regulated by subsection 30-4.11c,
5. Airport and related facilities, aircraft landing areas,
6. Asphalt batching plants, including hot mix,
7. Concrete products manufacturing, batching plants,
8. Lumberyard (wholesale), kiln,
9. Railroad yards,
10. Shipbuilding and repairing (over one hundred (100) tons),
11. Shipping terminals,
12. Permitted uses which are not conducted within an enclosed building or structure,
13. Commercial marinas subject to the requirements of subsection 30-4.9c.15,
14. Columbariums and crematoriums,
15. Liquor stores,
16. Convenience stores located within three hundred (300) feet of any residential zoning district,
17. Hazardous materials processing, as defined by subsection 30-2(b) of the Alameda Municipal Code, and subject to the terms and conditions of Subsection 30-21.3(e) thereof,
18. Work/live studios subject to the requirements of Section 30-15.

d. *Minimum Height, Bulk and Space Requirements.*

1. Lot Area: None.
2. Lot Width: None.
3. Maximum Total Building Coverage, including accessory buildings: Eighty (80%) percent.
4. Building Height Limit: One hundred (100') feet.
5. Front Yard: Five (5') feet minimum.
6. Side Yards: None, or where a side yard is desired, a minimum of twelve (12') feet shall be provided; provided further, that in the event the use is adjacent to an R District, a minimum of twelve (12') feet shall be maintained.
7. Rear Yard: None required, except that in the event the use is adjacent to an R District, a minimum of twelve (12') feet shall be maintained.
8. Off-Street Parking and Loading Space: As regulated in Section 30-7 of these regulations. (Ord. No. 535 N.S. §§11-1349--11-1352; Ord. No. 1277 N.S.; Ord. No. 1356 N.S.; Ord. No. 1400 N.S.; Ord. No. 1802; Ord. No. 2174 N.S.; Ord. No. 2289 N.S.; Ord. No. 2407, N.S., §9; Ord. No. 2422 N.S. §2; Ord. No. 2671 N.S. §5; Ord. No. 2700 N.S. §4; Ord. No. 2727 N.S. §2; Ord. No. 2784 N.S. §4)

## **EXHIBIT E**

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# Dunn & Associates

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REAL ESTATE APPRAISERS AND CONSULTANTS

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## PROFESSIONAL QUALIFICATIONS MICHAEL E. DUNN, MAI, CCIM

### PROFESSIONAL EXPERIENCE

Dunn & Associates, Walnut Creek, California, established July 1991. Provide appraisal and consulting services for a variety of improved and vacant real estate products.

#### Appraisal

Experience appraising various residential and income producing properties, both existing and proposed, including commercial, industrial, office buildings, apartments, shopping centers, hotels and motels, subdivisions, mixed use properties, RV parks, schools, restaurants, multi-plex theaters, assisted living facilities, live/work complexes, and vacant land. In addition, have appraised various agricultural properties including vineyards and wineries, as well as orchards, row and field crop lands, and grazing land. Appraisals have been prepared for investment, disposition, mortgage lending, loan workout, trust, condemnation and litigation support purposes.

#### Consultation

Acquisitions, dispositions, arbitrations, mediation, competitive market analysis, highest and best use studies, project feasibility, market rent surveys, and lease negotiations.

Mr. Dunn holds the MAI designation from the Appraisal Institute, a CCIM designation from the Commercial Real Estate Institute. He has been re-certified under the voluntary program of continued education of the designated members of the Appraisal Institute. Mr. Dunn is certified by the State of California Office of Real Estate Appraisers as a Certified General Real Estate Appraiser (#AG002882) and has been appraising commercial real estate since 1986.

### EDUCATION

BS, Agriculture Business Management Major, June 1985  
California Polytechnic State University, San Luis Obispo, California

## **Appraisal Institute Courses**

Standards of Professional Practice  
Real Estate Appraisal Principals  
Basic Valuation Procedures  
Capitalization Theory and Techniques, Part A  
Capitalization Theory and Techniques, Part B  
Case Studies in Real Estate Evaluation  
Report Writing and Valuation Analysis

## **Commercial Investment Real Estate Institute**

CI 101 Financial Analysis for Commercial Real Estate  
CI 201 Market Analysis for Commercial Real Estate  
CI 301 Investment Analysis for Commercial Investment Real Estate

## **PROFESSIONAL ASSOCIATIONS AND MEMBERSHIPS**

Member (MAI), Appraisal Institute (#9671)  
Certified General Real Estate Appraiser, State of California (#AG002882)  
Member (CCIM), Commercial Investment Real Estate Institute (#8538)  
Member, International Right of Way Association  
Affiliate Member of the National Association of Realtors (NAR)  
California Real Estate License (#01029164)

Currently serving as the Assistant Regional Member for Region 1 of the Ethics Administration Division of the Appraisal Institute.

# ***Alameda Reuse and Redevelopment Authority***

## **Interoffice Memorandum**

4-B

February 17, 2005

To: Honorable Chair and Members of the  
Alameda Reuse and Redevelopment Authority

From: William C. Norton  
Interim Executive Director

Re: Report from the Executive Director recommending the Approval of a 5-year lease, with one  
(5-year) option with Nelson Marine for 400 linear feet of Pier 1

---

### **Background**

Nelson's Marine is one of the original tenants at Alameda Point, operating a boatyard in Building 167 with an adjacent 400 linear feet of pier space on Pier 1. The pier has served as a marina for small boats. Nelson Marine has operated a boat yard and marina at Alameda Point since June 1997.

### **Discussion**

Nelson Marine pier is an existing use at Alameda Point. The premises are used for storage, repair and sales of boats.

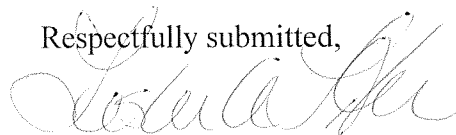
### **Fiscal Impact**

The proposed base rent for the pier is \$5 per linear foot, which is \$2,000 monthly or \$24,000 annually. The ARRA will have a 50 percent profit share opportunity should the tenant assign or sublet pier space with prior landlord approval.

### **Recommendation**

The Executive Director recommends that the Alameda Reuse and Redevelopment Authority approve the proposed pier lease with Nelson Marine.

Respectfully submitted,



Leslie Little  
Development Services Director



By: Nanette Banks  
Finance & Administration Manager

PB/SP/NB:dc